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and
The Rise of Agribusiness

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Seeds of Struggle

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Advisory Editors

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THE GREATEST TRUST IN THE WORLD

BY

CHARLES EDWARD RUSSELL

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THE GREATEST TRUST IN THE WORLD

BY

CHARLES EDWARD RUSSELL

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PUBLISHER'S NOTE

"THE Greatest Trust in the World" was published in serial form in *Everybody's Magazine*, for which Mr. Russell prepared his narrative without thought of publishing it as a book. So great was the interest it aroused, so profound was the impression made by the facts he disclosed and the trenchant presentation of them, there was crystallized a demand that this tragic romance of modern business life be republished in more enduring form.

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THE GREATEST TRUST IN THE WORLD

CHAPTER I

THE MIGHT OF MONOPOLY

IN the free republic of the United States of America is a power greater than the government, greater than the courts or judges, greater than legislatures, superior to and independent of all authority of state or nation.

It is a greater power than in the history of men has been exercised by king, emperor, or irresponsible oligarchy. In a democracy it has established a practical empire more important than Tamerlaine's and ruled with a sway as certain. In a country of law, it exists and proceeds in defiance of law. In a country historically proud of its institutions it establishes unchecked a condition that refutes and nullifies the significance of those institutions. We have grown familiar in this country with many phases of the mania of money-getting, and the evil it may work to mankind at large; we have seen

none so strange and alarming as this of which I write. Names change, details change; but when the facts of these actual conditions are laid bare it will puzzle a thoughtful man to say wherein the rule of the great power now to be described differs in any essential from the rule of a feudal tyrant in the darkness of the Middle Ages.

Three times a day this power comes to the table of every household in America, rich or poor, great or small, known or unknown; it comes there and extorts its tribute. It crosses the ocean and makes its presence felt in multitudes of homes that would not know how to give it a name. It controls prices and regulates traffic in a thousand markets. It changes conditions and builds up and pulls down industries; it makes men poor or rich as it will; it controls or establishes or obliterates vast enterprises across the civilized circuit. Its lightest word affects men on the plains of Argentina or the by-streets of London.

Of some of the most important industries of this country it has an absolute, iron-clad, infrangible monopoly; of others it has a control that for practical purposes of profit is not less complete. It fixes at its own will the price of every pound of fresh, salted, smoked, or preserved meat prepared and sold in the United States. It fixes the price of every ham, every pound of bacon, every pound of lard, every can of prepared soup. It has an absolute monopoly of our enormous meat ex-

ports, dressed and preserved. It has an absolute monopoly of the American trade in fertilizers, hides, bristles, horn and bone products. It owns or controls or dominates every slaughter-house except a few that have inconsiderable local or special trades. It owns steam and electric railroads, it owns the entire trolley-car service in several cities, and is acquiring the like property elsewhere. It owns factories, shops, stock-yards, mills, land and land companies, plants, warehouses, politicians, legislators, and Congressmen.

It defies Wall Street and all that therein is. It terrorizes great railroad corporations long used to terrorizing others. It takes toll from big and little, it gouges millions from railroad companies, and cent pieces from obscure shippers. To-day it is compelling a lordly railroad to dismiss its general manager, to-morrow it is black-listing and ruining some little commission merchant. It is remorseless, tireless, greedy, insatiable, and it plans achievements so much greater than any so far recorded in the history of commerce that the imagination flags in trying to follow its future possibilities.

It fixes, for its own profit, the prices the farmer of the West shall receive for his cattle and hogs, and the prices the butcher of the East shall charge for his meat.

It fixes the price that the grower of California shall receive for his fruit, and the price the laborer of New York shall pay for his breakfast.

It lays hands upon the melon-grower of Colorado and the cotton-grower of Georgia, and compels each to share with it the scanty proceeds of his toil.

It can affect the cost of living in Aberdeen and Geneva as easily as in Chicago and New York.

It has in the last three years increased, for its own benefit, the expenses of every household in America. It controls or influences the prices of one-half the food consumed by the nation. It has its share in the proceeds of more commodities of daily consumption than all other trusts, combinations, and monopolies together, and the prices of these it seeks to augment for its own profit.

It can make, within certain limits, the price of wheat, of corn, of oats, what it pleases; it will shortly be able to control the price of every loaf of bread.

Its operations have impoverished or ruined farmers and stockmen, destroyed millions of investments, caused banks to break and men to commit suicide, precipitated strikes, and annihilated industries.

So great is the terror it inspires in some quarters that citizens under the constitutional guaranties of freedom do not dare, even in the privacy of their offices or homes, to speak a word that this power would not approve of, and multi-millionaires, railroad magnates, and captains of industry quail before it.

At every step of its progress it has violated national or state law, or both, and with impunity. It has been declared by federal and state courts to be an outlaw and to have no right to exist. It has gone steadily on strengthening its hold, extending its lines, and multiplying its victims.

We are accustomed to think that the Standard Oil Company is the ultimate of monopolistic achievement; here is something compared with which the Standard Oil Company is puerile; here is something that affects a thousand lives where the Standard Oil Company affects one; here is something that promises greater fortunes and greater power than ten Standard Oil Companies. Reaching out, absorbing industry after industry, augmenting and building, by great brute strength and by insidious, intricate, hardly discoverable windings and turnings, day and night this monstrous thing grows and strengthens until its grip is at the nation's throat.

I am quite well aware that my words may seem extravagant to the generality of readers; to those who know the history and actual operations of the American Beef Trust they will appear an understatement of galling and humiliating truths.

And the most singular fact, the fact that should make all of us stop and think, is that the men that are exercising this incalculable power upon the lives and destinies of their fellow-creatures, are not bad men; as the world goes, they are very good men.

They operate one of the most cruel and oppressive monopolies; they would not knowingly be cruel or unjust in any affair of personal conduct. The business they conduct is merely piracy on a gigantic scale; they are themselves kindly, generous, and upright. Like other men they have been driven along by an economic evolution beyond their knowledge or control. They are as certainly the victims of conditions as are the people on whose family tables the American Beef Trust grows fat.

And the instrument that conditions placed in their hand for the making of this tremendous power is a thing so small and simple, so obvious and apparently so easy to eliminate, that the nation seems chiefly to blame for having ever tolerated it.

Because the foundations of the American Beef Trust that now ramifies in so many directions and affects so many millions in so many ways rest solely and squarely upon the railroad rebate, and upon nothing else.

Discriminating rates and advantages for the big house against the little, that was the source of this Trust. It was so with the Standard Oil Company; the story of that great monopoly is only repeated with more disastrous results. The utterly illegal, utterly indefensible, utterly unjust and anarchistic rebate—is it not strange that having seen one Old Man of the Sea rise from this source and be saddled upon us, we allow the same cause to produce another?

True, all rebates, all special advantages, all concessions, reductions, and variations from published tariff rates, all preferences of one shipper over another, are condemned and forbidden in the Inter-State Commerce Act of the United States; no prohibition was ever written into law more expressly and positively than this. In spite of all, the American Beef Trust from its initial stage, as a "gentlemen's agreement," received rebates on all the railroads of the United States, is receiving them to-day, and will continue to receive them for many days to come, law or no law. Does this suggest any reflections to your mind? Here is the law as clear, as emphatic as any law ever written, and here is the plain fact of its incessant violation, and from that violation has come the most oppressive and most exacting tyranny of our commerce. Probably in this year of grace the railroads of this country will pay to the American Beef Trust $25,000,000 in the rebates that are prohibited by law; everybody that knows anything of the subject will know that they are paid; it will appear on the books of the various railroad companies that they are paid; and there will not be raised one hand anywhere to enforce the law and stop the payments.

This is the literal fact. There is no attempt to disguise the lawlessness except in the matter of names. The rebates are not called rebates; they are called Private Car charges, but they are rebates, pure and simple, and by their means,

and none other, this Imperial Power has been created.

In the succeeding chapters of this narrative I hope to tell the whole amazing story of these illegal operations.

To understand enough of them for present purposes we must go back to the history of one of the most useful inventions of man and one that in thirty years has revolutionized the system of distributing and indeed of producing the perishable food commodities of the country.

Before 1874 the population centres in the United States were supplied with fresh meat, fresh vegetables and fruit from their own immediate neighborhoods, an arrangement that narrowly restricted the variety and seasons of production, and often the supply. Thirty years ago a very able man invented and perfected a freight car that could be used as a travelling refrigerator; that is, one having unusually thick or double sides, bottom, and top, and supplied with ventilators and ice-tanks. So soon as this invention was found to be practicable, an enormous change took place in the most important national industry. Fresh meat began to be transported to great distances, fruit was brought in perfect condition across the continent, vegetables were carried from the South to the North in the middle of winter; all differences of climate were practically obliterated. Households in New York were as well supplied with subtrop-

ical products as households in New Orleans. An extensive demand for variety in market products developed; new markets were created; the business of farming in many parts of the country underwent astonishing transformations; a new and tremendous industry, that of handling and distributing these products, came into being; millions of dollars and millions of men were engaged in it.

The most spectacular of these profound evolutions was in the meat industry. Originally the nation's tables were supplied with meat by local butchers, or where local supplies were insufficient, as in the large Eastern cities, Western cattle were shipped alive (in the trade term, "on the hoof") in cattle cars. With the introduction of the refrigerator car all this changed. The dressed-meat traffic was created. Instead of sending cattle East to be slaughtered, the slaughtering was done in the West, chiefly in Chicago, and the dressed-meat product was sent East in the refrigerator cars. The industry thrived apace; the number of firms engaged in it rapidly increased. Chicago became the slaughter-house of the continent. Refrigerator cars swarmed on all the railroads. Local slaughtering was largely abandoned before the fierce and successful competition of the new system.

Every important slaughtering (also called packing) house in Chicago built and maintained its own lines of refrigerator cars to transport its meat products. Many railroads also supplied themselves with

like cars. For the use of these latter no charge was made. The railroads were under obligation as common carriers to deliver in good condition the goods that they handled. The refrigerator car was merely an appliance to insure delivery in good condition.

Year after year the use of refrigerator cars increased, year after year increased also the importance of Chicago, as the centre of the meat industry. The number of cattle slaughtered (or packed) in Chicago rose from 21,712 in the year ending March 1, 1874, to 2,206,185 in the year ending March 1, 1890.

The industry began to outgrow its original home. First Kansas City, then South Omaha, then other points were seized by Chicago firms for branch establishments. Gradually, out of the ruck of many competitors emerged four men whose commanding intellects and natural ability dominated the situation. These were P. D. Armour, Gustavus F. Swift, George H. Hammond, and Nelson Morris. Each was at the head of a great firm; all were bitter and unresting competitors whose combats overshadowed lesser rivalries.

From this condition came the next inevitable step in economic development. The big houses began to absorb the little ones, and to cease from contests among themselves on the primary basis of a harmony of interests. That is to say, the four came to a kind of "gentlemen's agreement" and

suppressed, more or less, among themselves the competition that is always inimical to good sound profits.

There was, to be sure, plenty of competition from other sources. There were many comparatively powerful houses that could not be bought and that would not enter into monopolistic agreements like "gentlemen," and of course the four united houses could not make much headway toward the beneficent control of the markets until these disturbing elements were out of the way. In other words, they confronted exactly the barrier that John D. Rockefeller faced when he was building up the Standard Oil Company, and they seized exactly the same club to beat their way through it.

The Inter-State Commerce Act had lately forbidden the Rockefeller rebates. The agreeing gentlemen found a way around that slight difficulty.

In the beginning, as I have said, the refrigerator cars had been transported without charge. But after a few years the railroad had gradually and insidiously introduced the practice of making small charges for the ice used, and Private Car companies coming into existence (these being in many cases the personal "graft" of railroad officers and directors) easily effected an arrangement by which the railroads paid an insignificant charge for the use of the cars. Each of the agreeing packers owned thousands of refrigerator cars. They went

to the railroad companies and demanded a heavy mileage compensation on these cars. The railroads demurred. The packers instantly produced what may be called the Big Pistol. That is to say, they had a weapon so full of peril to any reluctant railroad that no manager or president could contemplate it without abject terror. The nature of this weapon is too complicated to be explained in detail here; I need only say that its first shot would mean comparative ruin to the freight business of any road it happened to hit. At the mere sight of it the railroads surrendered at discretion. Managers and presidents tumbled over one another in their haste to make submission. The required concession was readily obtained and the agreeing gentlemen were paid by the railroad companies three-quarters of a cent for every mile the agreeing gentlemen's cars were hauled.

That concession did the business. Chicago is approximately one thousand miles from New York by any of the main travelled routes between the two cities. Therefore, on every car shipped to New York the agreeing gentlemen obtained a rebate of $7.50.

Of the competing or ungentlemanly houses some had no refrigerator cars, some had a few, some had contracts with Private Car lines, some used the refrigerator cars of the railroads. Naturally these houses got no rebate; naturally also they began to find it impossible to do business against the com-

petition of the agreeing gentlemen who were provided with that useful concession, and in longer or shorter times one after another gave up the fight, got the best terms it could, and sold its business to one or another of the agreeing gentlemen. Some few houses were left in nominal existence; these presently became useful adjuncts to the agreeing in a way to be described hereafter.

The field in Chicago and all the West was now practically clear. In the meantime similar tactics had been employed elsewhere. Once there had been great slaughtering and packing industries in the East; as those of John P. Squire & Sons, the North Company in Boston, and smaller local packers in other cities. Most of these firms found it impossible or highly inexpedient to attempt to oppose agreeing gentlemen armed with the big club of a rebate. With the rebate, Chicago dressed meat could be landed in Boston for less than the Boston cost of slaughtering. One after another these companies were gathered in until it came that the agreeing gentlemen owned every considerable slaughtering plant (with one exception) in the entire East. Most of their new purchases they promptly closed down.

This was the condition of things about 1900. The next two or three years saw radical changes. The few Chicago packing-houses that had not been bought outright by the gentlemen had passed secretly under their control. These were now or-

ganized in the National Packing Company of the happy State of New Jersey, with office-boys for directors and a microscopic capital. When the time was ripe, by the familiar legerdemain of high finance, this office-boy corporation suddenly appeared as the "holding company" for the agreeing gentlemen. In other words, the Beef Trust was regularly and formally launched.

Being now the only buyer of cattle and the only seller of meat, the Trust began a series of thoughtful operations that have reached from every farmer to every dinner-table, and taken tribute all the way. It put down the average price of medium cattle from $6 a hundredweight in September, 1899, to $4.50 in March, 1904; and in the same period it put up the retail prices of dressed meat about twenty per cent. It raked off profits at every stage of the decline of the price of cattle and at every stage of the ascent of the price of meat. It advanced the prices of its fertilizer and offal products. It racked the producer and it racked the consumer, and stood resolutely between them, gathering toll from each. It advanced day by day further into the field of production and day by day laid hold upon new victims. It disclosed gradually a gigantic plan to control the price of every edible thing grown in this country, and to control it for its own dividends.

In all these operations the chief instruments were the refrigerator car and the Big Pistol.

When the gentlemen agreed, the refrigerator cars possessed by each house naturally passed under one management, and to all intents and purposes, one ownership. The number of these vehicles was now increased until they comprised eighty per cent. of the refrigerator-car equipment of the country. They were no longer engaged in carrying dressed meat only; they carried all kinds of perishable products, and drove other cars to the junk-heap or the side-track. With many railroads the Trust, backed always by the Big Pistol, made exclusive refrigerator-car contracts of a nature never heard of before, except in the case of the Standard Oil. The railroads were to carry no perishable articles except in Trust cars if the Trust cared to furnish these; they were to add the Trust charges to their own, collect the whole bill from the consignee, and turn over without deduction the Trust's share. If by chance they used their own or any other refrigerator cars, they were to charge the full Trust rate and deliver it all into the Trust's treasury just as if Trust cars had been used.

Thus the whole vast produce trade of the country suddenly found itself confronted by a condition under which an irresponsible and intangible power was able to assess whatever charges it pleased for a service once performed free. The Trust steadily adjusted the screw and squeezed out an enormous and wholly fraudulent tribute. The refrigerator-car charges began to assume extraor-

dinary proportions. On a car-load of fruit from Michigan to Chicago, for instance, the Trust's exactions were often as great as the total freight bill. Operations were extended in all directions. The Southern fruit and vegetable trade was seized. California fruit came next and the Trust got possession of the entire traffic by the expeditious method of ruining its competitors. It compelled the railroads to do its bidding in all particulars. It black-listed dealers that complained. It compelled the shipment in its own cars and at its own rates of products that might have easily gone in ordinary cars. It compelled the railroads to pay mileage rates for hauling its cars, whether the cars were full or empty. It multiplied its cars, its lines, and its operations. It went into poultry, live and dressed, and absorbed that market. It began to tamper with the trade in dairy products. Wherever its operations extended, the consumer began at once to feel the baleful influence of its presence; the producer became the victim of an elaborate and perfect system by which he was alternately encouraged to extensive production and confronted with ruin by an arbitrary and a forced reduction of prices.

Under this system, which of course took advantage of and shaped itself by the aid of natural conditions, agricultural industries greatly changed. A large part of the Middle West ceased to be a corn-selling, and became a corn-feeding, region. Cattle-

fattening became the principal interest. Almost every farmer became a borrower at his local bank to carry on these operations. For a few years the business thrived, the profits were good. Then the Trust arbitrarily forced down the price of cattle; thousands of stockmen were ruined, banks failed, farm mortgages multiplied, and a blight fell upon the whole cattle-raising region.

Meantime, neither the producers nor the commission trade ceased to complain. The Inter-State Commerce Commission was deluged with protests. Eleven indictments were found in one federal district. Action was begun under the National Anti-trust law, and in different states under state laws. Congress was petitioned, bills were introduced, meetings were held, resolutions were passed.

For reasons that hereafter I hope to explain in detail, the net result of all this to date is—nothing. In Missouri the state courts found the packers guilty, and fined them $5,000 each, a sum rather less to them than five cents to the average citizen. The eleven indictments, under instructions from Washington, were never pressed. The bills in Congress were never passed. The resolutions and petitions fell unheeded. The federal court at Chicago, by Judge Grosscup, did, on February 18, 1903, hand down a sweeping decision declaring the operations of the Trust to be illegal and criminal, and perpetually enjoining it from doing certain specific things. It has continued to do those things six

days in every week since, and the injunction has peacefully slumbered.

But while the shippers, the producers, and the consumers of the country have been unable to secure any attention from Congress, the Trust has easily secured in the Elkins bill a clause that removes its refrigerator-car traffic from the law of common carriers, and in the opinion of its lawyers it can now snap its fingers at the Inter-State Commerce Commission, or at any other authority. It does that anyway, law or no law, but it probably feels it more seemly to have the snapping definitely indorsed by national legislation.

The make-up of the Trust underwent changes while these powers were developing. P. D. Armour died, Gustavus F. Swift, really the most remarkable figure in the combination, followed him two years later; advancing age began to tell upon Mr. Morris; the great Hammond interests were bought by the Armour estate, and now one figure appears as the master mind of all these gigantic plays. One man, young, cool, ambitious, resourceful, probably the ablest, certainly the most daring manipulator among all the captains of finance, is now steering the Trust straight toward world-wide dominion. His name is J. Ogden Armour, of Chicago. No more extraordinary figure has ever appeared in the world's commercial affairs, no man, not even Mr. Rockefeller, has conceived a commercial empire so dazzling.

The road to this empire lies first through a tremendous struggle close at hand, probably more momentous in the real affairs of men than any battle-field of modern times. The Trust now owns, controls, or dominates every live-stock yard in the United States except two. It has made its plans to gather in these two. The yard at Kansas City it proposes to acquire by killing it for its present proprietors. The owners of the Chicago Stock-Yards are to be held up at club point and compelled to sell their property. The Kansas City people will have to submit gracefully; the owners of the Chicago yards are the powerful Vanderbilt and Morgan interests. They purpose to fight for one of the most profitable of their possessions. They are fighting for it now. Slowly these two great forces are settling to such a battle of financial giants as we have never been privileged to see. The first point of attack is to be the Private Car, and the next chapter will recount the importance of this device and explain why it is to be made the issue of the first battle.

The young man I have mentioned holds now in the hollow of one hand the grain market of the United States. He can make or affect the price of any cereal, of any provisions dealt in by the Chicago Board of Trade. Through the Beef Trust, the Private Car, the Big Pistol, he and his associates are factors in the markets for meats of all kinds, and for most kinds of produce. His pos-

sible profits seem limited for the future chiefly by his will. No reason appears why he should not amass in a few years the most colossal fortune in the world, why he should not gather to himself such a power as no other man has ever had; for who has ever controlled the food supplies of one hundred million people?

CHAPTER II

THE GREAT YELLOW CAR—THE BANDIT OF COMMERCE

THE mainspring of the American Beef Trust, the centre and source of its existence, is the refrigerator car. You that live in cities and know of railroad operations only what the newspapers tell you, can have scant idea of the importance of this curious vehicle. When next you travel in your native land, or are waiting for a train, let us say, on the platform of a rural station, take note of freight cars passing, or of those that stand on sidings. Then you will be rather astonished to see that every fourth or fifth car is of a class wholly apart from the others, larger and heavier, differently painted, usually in bright yellow, sometimes in white, with red, white, and blue bands; and instead of the names of railroads, these cars bear legends that will seem new and strange to you. "Fruit-Growers' Express," says one, "California Fruit Transportation," "Continental Fruit Express," "Tropical Refrigerator Express," then the virtues of somebody's lard or bacon, glaringly set forth, and so on. To many a man glancing carelessly at such a procession these evidences of the variety and wide distribution of

his country's products have seemed vaguely pleasing and an indication of abounding prosperity. As a matter of fact, they are merely the signs and symbols of a cruel and grinding monopoly. The 54,000 refrigerator cars in daily operation in the United States are the instruments that have forced up your household expenses and bound to the Trust chariot the most important of American industries.

The germ of this vast traffic was a simple idea in the mind of one man. Thirty years ago Mr. Nelson Morris was one of the so-called "cattle kings" of Chicago. In less exuberant terms, he was extensively engaged in shipping cattle on the hoof. The essential wastefulness of the system made him think. He had enlarged his business by building a packing-plant (in those days "packing" meant the preparing of salted and smoked meats), and in the winter of 1874 he determined to experiment with his idea. He shipped fresh meat in ordinary box cars to Boston. The refrigerator car was just beginning to be thought of; Mr. Morris had never heard of one. The meat he shipped had to be frozen, but it arrived in good condition and was readily sold. In the succeeding winters he repeated the experiment on a larger scale and with satisfactory results; but, of course, shipments necessarily ceased at the first hint of warm weather, and sometimes variations in the temperature caused unpleasant results.

Gustavus Swift, the chief founder and almost

the creator of the refrigerator car as a factor in modern conditions, was a Cape Cod Yankee, big-boned and big-brained, resolute, indomitable, obsessed with that strange consuming passion for money-making that seems to be an exclusively American trait, a tireless worker, a devout Methodist, and of habits austerely and almost painfully correct. He and his brothers had been butchers in Massachusetts; he had drifted westward with no particular aim except to find some road to wealth. At the time Nelson Morris was experimenting with frozen meat in box cars, Swift was clinging desperately to the very skirts of the Chicago cattle-market, a small speculator without capital or credit. His way of life was to go about looking for odd car-loads that he could snap up at a bargain and ship East when the market seemed to favor his infinitesimal ventures. He was poor, but was slowly forging ahead.

The frozen-meat experiment came under his notice and he gave to it the searching scrutiny of an alert and powerful mind. It seemed to him to have possibilities. A man named Tiffany had lately invented and was trying to introduce a refrigerator freight car—a car with tanks or bunkers for ice and with an intelligent arrangement of doors so as to exclude heat. Mr. Swift studied this scheme also and gradually unfolded in his mind a plan, having the prospect of enormous profits—or enormous disaster.

In the meantime he had become the proprietor of a small packing-plant at the Chicago Stock-Yards. When his plan was matured he offered it to certain railroad companies. It was merely that the railroads should operate the refrigerator cars summer and winter, and that he should furnish them with fresh dressed meats for the Eastern market. This proposal the railroads promptly rejected.

Thus thrown upon his own resources, Mr. Swift determined to make the desperate cast alone. Commercial history has few instances of a courage more genuine. The risk involved was great. The project was wholly new; not only demand and supply had to be created, but all the vast and intricate machinery of marketing. Failure meant utter ruin. Mr. Swift accepted the hazard. He built refrigerator cars under the Tiffany and other patents and began to ship out dressed meats, summer and winter.

The trade regarded the innovation as little less than insanity. Mr. Swift's immediate downfall was genially prophesied on all sides, and truly only a giant in will and resources could have triumphed, so beset. He must needs demonstrate that the refrigerator car would do its work, that the meat could be perfectly preserved, and then he must overcome the deep-seated prejudices of the people, combat the opposition of local butchers, establish and distribute products. All this he did. People

in the East found that Chicago dressed beef was better and cheaper than their own, the business slowly spread, branch houses were established in every Eastern city, and the Swift establishment began to thrive. By 1880 the experiment was an indubitable success.

As soon as it was discovered that Mr. Swift was right, a great revolution swept over the meat and cattle industries, and eventually over the whole business of supplying the public with perishable food products. The other packing-houses at the Stock-Yards went into the dressed-meat trade, refrigerator cars ran in every direction, shipments of cattle on the hoof declined, the great economy of the new process brought saving to the consumer and profit to the producer, and the new order began to work vast and unforeseen changes in the life and customs of the nation.

Of these changes, one of the most important was that, before long, certain parts of the country were supplying all the rest with certain products. As soon as it was discovered that the refrigerator car would safely transport everything perishable, all Northern towns and cities began to seek their food supplies wherever on the continent such supplies could best be had. Where peculiarities of soil or climate gave a region especial advantages for the growing of any product, that product became there the staple output. Parts of Louisiana, Mississippi, Florida, Tennessee, became the truck-

gardens of the United States. North Carolina grew strawberries for Minnesota, Florida supplied tomatoes in February for Duluth and Boston, Indiana developed a great melon-field, Missouri and Michigan peaches were shipped to Portland, Me.; Ohio, Western New York, and Michigan grapes were distributed in all directions; and so on. Supplies, therefore, came to be segregated. The nation turned one month to one spot for its food and the next month to another.

At first the refrigerator car was no burden upon shipper, producer, or consumer. The railroads charged nothing additional for shipments in such cars, and the owners of the cars exacted no mileage. The railroads were glad to have the refrigerators, when all was said, and even to pay rental for them, because they minimized damage claims for perishable goods arriving in bad order, and because they increased the usable equipment. The packers were content with the profits from their legitimate business, which was selling meat, and with the enormous extension of that business wrought by the new invention.

It is worth while to notice that in all the sordid game that was to follow, the root of every injustice, every extortion, every oppression is to be found in somebody's desire to augment a private fortune unjustly, to take an undue advantage for personal profit, to trick, outwit, and deceive, to be over-"smart" and over-cunning. At the bottom there

is always somebody's private graft; there is always something on the end of the line that looks exceeding ill when it gets into the sunlight. The suggestion that the railroads should pay money for the privilege of hauling other people's cars had its origin in the "fast-freight-line" abuses of the early seventies—the Red Line, and Blue Line, and White Line, and the rest of the chromatic devices by which stockholders were defrauded and private hoards increased. These lines were the personal property of the officers or directors of some railroad, who, in their capacity as railroad directors, made with themselves, in their capacity as Red Line directors, contracts which secured for their Red Line capacity very pretty profits. From any view of the director's duty except that he holds office to gouge out every cent for himself regardless of any other interest, this arrangement was, of course, utterly indefensible. But it was made so often that it grew to be looked upon as a matter of course —like underbilling or rebates.

The late Mr. George M. Pullman, to whose genius for high finance inadequate justice has been done, availed himself of the directorial appetite for perquisites, as he did of anything else that made for his own welfare, and some of his achievements established precedents that presently became very useful to bandit gentlemen having private freight cars to operate. It may not be generally known that the railroad companies of the United States

have the pleasure of paying Mr. Pullman's company three cents for every mile they haul a Pullman car. The arrangement is, to be sure, utterly unreasonable, or, to be quite frank, it is merely predatory, but it exists; and it exists solely because many years ago Mr. Pullman let in "on the ground floor" of his company the influential directors of certain railroads, and these directors in return made the kind of contract with Mr. Pullman that Mr. Pullman desired. Nothing is surer in the affairs of this world than that the fruitage of every wrong is some other wrong. The new issues of Pullman stock, to gratify the influential directors, necessitated new activities, and the moralist may find food for thought in the fact that one of the new activities was the Pullman "model town," and that the extortions of the "model town" precipitated the great railroad strike of 1894.

Charges for hauling privately owned freight cars (following the Pullman example) were inaugurated in the early eighties by the Standard Oil Company's Union Tank Line, as a convenient disguise for rebates. The practice was abandoned after a few months, I suppose because a better system of rebates was devised, and until 1883 refrigerator and other Private Cars were run without a cent of mileage, and generally without even a charge for "icing." But between 1880 and 1883 the Chicago, Milwaukee & St. Paul Railroad built two lines to Missouri River points, Omaha and Kansas City.

Mr. P. D. Armour was a director in the road and very powerful in its affairs. The packers, including the Armour firm, had built great plants at Omaha and Kansas City. On the plea of securing part of the resulting traffic for the new lines, Mr. Armour brought about an arrangement by which the Chicago, Milwaukee & St. Paul allowed the packers mileage on their refrigerator cars.

This was the beginning of the evil. The competing lines to the Missouri River might very well have refused to countenance any such arrangement, but a decline in the tonnage figures has a strange panic-terror for the railroad mind. The other roads to Missouri River points made mad haste to meet the terms made by the Chicago, Milwaukee & St. Paul, and the mileage system was firmly established in the Western territory. With that the Big Pistol was loaded, primed, and put into the packers' hands. East of Chicago they were favored by the Grand Trunk, and by threatening to divert all their enormous freight traffic to one line, they forced, one after another, every railroad in the country to yield to their demands and surrender mileage on refrigerator cars. This was fixed eventually at three-quarters of a cent a mile east of Chicago (except by way of Montreal, on which route it was one cent a mile), and, generally speaking, one cent a mile on all the territory west of Chicago.

Not satisfied with this triumph, the packers,

who had begun to learn valuable lessons in the virtue of united effort, proceeded to other exactions. They made the railroads pay the mileage whether the cars were empty or loaded, they refused to allow the cars to be loaded with any but the packers' own freight, they kept down the minimum loading weight, they forced down the freight-rates on dressed beef and packing-house products, and they compelled every railroad to expedite their cars at the expense of all other shippers. As Mr. J. W. Midgley, the railroad expert, described them to the Inter-State Commerce Commission, they were not only the largest shippers, but "the most arbitrary, the most remorseless that have ever been known."

At every step in this interesting progression the railroads objected and protested, and at every protest out came the Big Pistol:

"Do this, or we divert all our freight from your lines," said the packers.

It was enough. The terror of that threat cowed the stoutest into instant obedience.

The railroads, of course, could not very well maintain a discrimination between refrigerator cars. A mileage-rate granted to one firm must in the end be granted to all. Hence all refrigerator cars, however owned, came to be mileage-earners and shared in the loot. There were lines outside the packers' ownership; the Gould interests owned one; the Vanderbilt interests another; railroads like the Illinois Central and the Chicago & Northwest-

ern had cars of their own. These latter were credited with the mileage-rate when they ran on other roads. But the packers owned the largest number, and their incessant manipulations gave their cars the advantage. Moreover, the cars secured for them on their own products what was in effect a substantial rebate over rivals dependent upon general railroad accommodations, and that was enough for some of their purposes.

As the four great packing-houses, Armour, Swift, Hammond, and Morris, began to assume overshadowing importance, and to draw together toward the eventual Trust, the refrigerator car and the Big Pistol became the most powerful agents for crushing out competition. Rival houses that had no refrigerator cars found that rebates made the four big packers unassailable. Such houses succumbed first. Rival houses that had refrigerator cars found that the cars of the bigger and more aggressive packers were favored by the railroads, handled more rapidly, sent back with less delay; that the car of the big house was in fact a club to beat the smaller firm to death; and they gradually got out on the best terms they could obtain. Thus the refrigerator car formed the Beef Trust.

As for the control the big packing-houses exercised over the railroads, I will give an illustration. It was necessary, as I have said, to expedite the cars of the four big houses, to hurry them to their destinations and rush them back. It was also

necessary to be not too particular about inspecting the loading of such cars. If any traffic manager hesitated about these matters, the packers insisted that he should be disciplined or discharged. If there were any delay about the discipline, why, the Big Pistol. Once this useful weapon went off, and the crash of it still reverberates. The New York Central exhibited tardiness about complying with some demand of the sort I have described, and the packers punished it by diverting, weekly, 150 cars of their freight to other roads.

The cars are still diverted, and, as I shall show in succeeding chapters, the whole great New York Central organization still quakes at the mere mention of the Beef Trust.

As the gentlemen's agreement among the four strongest packing-houses developed the actual conditions of a trust, the agreeing gentlemen readily extended the field of their operations. Whenever they took over a conquered rival they took over his refrigerator cars also, which went to work, earning much mileage for the agreeing gentlemen. Not only mileage indeed, but other good revenue. As the refrigerator-car business passed into the hands of the packers, the shippers found that the cars were no longer a part of equipment and free, as once they had been. Now there were "icing" charges to be paid. The "icing" charge had been originated by certain railroads to cover the actual cost of ice on unusually long hauls, but it was then

so small that shippers thought nothing of it. On a haul from Missouri to Boston the " icing " charge by a railroad might be $10 or $15 a car. When the dominating packers took the refrigerator business in hand they began to push up the " icing " charges, and, significantly enough, the increase was exactly proportioned to the degree of harmony among the packers. Thus by the time the Trust was formed, the " icing " charges had become an intolerable burden. In some instances they exceeded the freight-rate, and cases are on record where the " icing " charges and the freight-rates together were actually more than the value of the goods, and left the producer in debt for his shipment.

The agreeing gentlemen, you will understand, had gone heavily into the business of letting out their refrigerator cars to other persons for the purpose of carrying all kinds of fruit and vegetables. But in the meantime they had also entered the produce, poultry, and dairy trades on their own account. They had found that at their branch houses in every considerable town or city they could handle such goods as easily as they could handle meat. To these was presently added fruit, and the Big Pistol being again brought into requisition, the gentlemen, and later the full-blown Trust, began to make exclusive contracts with certain railroads and to establish practical control of every important fruit-producing region in the United States.

CHAPTER III

THE CAPTURE OF THE PRODUCTIVE CENTRES

THE manner in which the control of the fruit trade was achieved in California, the greatest of all the fruit regions, is a story worth telling on its own account, and as an illustration of how trusts are formed and the dazzling triumphs of high finance are wrought.

Carlton B. Hutchins was a Detroit inventor of many useful things, and among them of an improved refrigerator car, the merit of which lay in a woollen insulator lining (made of tailors' scraps), which kept the cold in and the heat out. He managed, about 1886, to have five of these cars built and experimentally operated on the Michigan Central Railroad. They proved successful in every way, and he organized the Detroit Refrigerator Car Company, which built fifty cars under his patents and used them in carrying fruit and vegetables on the Michigan Central. In 1888 Mr. Hutchins had a personal disagreement with the president of that railroad, who promptly ordered the cars off the road. The Detroit Company was, therefore, left with fifty-five cars on its hands. Mr.

Hutchins's eldest son, Eugene, came to Chicago and went up and down South Water Street trying to find someone to take the cars and operate them. He stumbled upon the firm of F. A. Thomas & Son, then doing a general commission business in the Street, and aroused the interest of the junior of the firm, Mr. Bert Thomas. No one at that time had the slightest conception of the enormous earning possibilities of the refrigerator car, but Mr. Thomas thought the venture was worth trying.

His firm ran the refrigerator cars for a few months east and west, and finally sent some of them to California after deciduous fruit, a thing never before attempted. Mr. Bert Thomas was an observing young man. He noticed that at one cent a mile the returns from a car that rolled to the Pacific Coast and back were goodly, without regard to any other business it might do. He believed he had a good thing, and pushed it to the utmost. Meantime Mr. Eugene Hutchins had been elected to membership in the Union League Club, where he had talked refrigerator-car possibilities to a few fellow-members. Two of these, the brothers William H. and Harry M. Hubbard, had some money, and, what was more important, had standing at the banks. Mr. Hutchins induced them to join him in organizing the Hutchins Refrigerator Car Company, capital stock $1,000,000, of which only $200,000 represented cash invested. They bought out

the old Detroit Refrigerator Car Company by paying the Detroit stockholders in Hutchins stock, share for share. They elected themselves officers of the Hutchins Company, and then, with the two Thomases, father and son, proceeded to organize the California Fruit Transportation Company (familiar in trade history as the C. F. T.), with a nominal capital stock of $200,000, none of which was paid in, and of which they were the sole holders. They next made a contract between themselves as the California Fruit Transportation Company and themselves as officers of the Hutchins Refrigerator Car Company, by which the California Fruit Transportation Company rented the Hutchins cars at $8.33 a month each. They were then ready to do business.

The first move was to increase the equipment. This was done through the Central Trust Company of Philadelphia, which furnished the money for new cars and took the Hutchins Company's car-trust scrip at five per cent., being a virtual lien on the cars. The new equipment was dispersed about the country, more especially about California, which had been found to be a promising field. At the end of the first year, November 30, 1890, the books showed a net profit of $86,000, after paying all expenses and repaying a loan of $35,000 at a Chicago bank. Most of this profit had been made in the California trade. All but $6,000 of this was apportioned among the happy speculators of the

C. F. T., and the pleasing operations of the Company were resumed. The second year, ending November 30, 1891, showed a net surplus of $129,-000 above all expenses and the interest on the car-scrip; so that in two years, or rather less than two years, the venture had more than repaid every dollar invested in it.

The six financiers now concluded that they had something better than a gold-mine and were vastly elated. They voted themselves good salaries as officers of the California Fruit Transportation Company, they voted themselves fat dividends as stockholders therein, and nothing seemed as easy as making money.

A great part of the fruit handled from California had been shipped by the Earl Fruit Company—an institution with which we shall have more to do presently. One day when the world was going very well in the office of the California Fruit Transportation Company, a quiet man appeared there and introduced himself as Mr. Edward T. Earl, the president of the Earl Company. He said:

"You people have been shipping my fruit for two years. It has formed three-quarters of the freight you handle from California. I suggest that hereafter you pay me $10 a car commission on all the business I give you."

The well-paid officers of the C. F. T. were aghast at this proposition, which seemed to them

presumptuous. They said they would think it over. Mr. Earl went on to New York, and evidently did some thinking on his own account. He came back in ten days, and Mr. Bert Thomas informed him that the result of thinking on the part of the C. F. T. was that it would not share its profits with anyone. Mr. Earl said, "Very well," and went straight to the office of the Armour Car Line. Before the day ended he had contracted to rent 1,000 Armour refrigerators at $8.33 a month each. When the California fruit season reopened the C. F. T. suddenly found that wherever it went the Earl Fruit Company was there also, making war and using a familiar and effective weapon; that is to say, it was offering rebates and getting the fruit.

Thus confronted with the loss of its most profitable business, the C. F. T. had recourse to the *arcana* of high finance. There was $100,000 of treasury stock in the California Fruit Transportation Company. Why not use that? Happy thought! The stock was brought out and presented to the Southern Pacific Railroad Company, of which Mr. J. C. Stubbs was then vice-president, and Richard Gray traffic manager, on condition that the Southern Pacific make an exclusive contract to haul none but the C. F. T. refrigerator cars. But here arose a difficulty. Someone connected with the Southern Pacific objected to the deal on the ground that unless the stock were paid for by somebody or in some way, the transaction

had elements of peril. The C. F. T. met this objection in a rather ingenious way. The operations of the year had been profitable elsewhere than in California. The Company, for instance, had taken $65,000 from the strawberry-growers around Wilmington, N. C., which had gone far to salve the hurt the strenuous Earl had occasioned. A dividend of fifty per cent. was declared, followed immediately by an assessment of fifty per cent. The checks for the dividend and assessment crossed one another, the money was transferred from one drawer to another, the treasury stock was duly paid for, and the Southern Pacific took possession of it.

But while the Southern Pacific all but controlled the outlets from California, it was found that the exclusive contract did not prevent Mr. Earl from sending out his cars. Some influence stronger than C. F. T. exclusive contracts, and traceable to the Armour Car Line, was at work to prevent the exclusive feature from working according to specifications. The Earl business steadily increased; a war of rebates ensued until the C. F. T. found itself furnishing cars for practically nothing, and the dream of great wealth vanished. The C. F. T. began to borrow money at the banks and to face some serious consequences.

At this juncture one of its projectors had an inspiration that finished the work of ruin. He decided that if the Company could only find a new and exclusive market it could still defy the tribe of Earl

and Armour, and as there was no such market at home it must be sought abroad. A contract was made for refrigerator space on four White Star steamers, and California fruit was shipped through to Liverpool. The scheme failed miserably; the steamship contract was made on hard terms, the losses were heavy, the banks became uneasy about their loans, which had grown too rapidly for comfort, and one of these institutions for purposes of safety engineered the transfer of 500 of the California Fruit Transportation Company's cars to Swift. A period of febrile existence followed for the California Fruit Transportation Company. It became involved in a business tragedy, features of which were a bank failure, a resulting suicide; and made an end in the transfer to Swift of all the remaining California Fruit Transportation Company's cars. This operation marked the entrance of the Swift house upon the California fruit trade.

In the meantime the eyes of the Armour firm had been drawn in the same direction by the performance of the Earl Company. It was determined by Armour to secure that trade; and now ensued one of the most singular chapters of this story. In California there were two strong firms in the business of gathering and shipping fruit, the Earl Company and Porter Brothers. Earl had enlarged his car equipment, which he called the Continental Fruit Express, and while still renting some cars he had purchased many others. It is to

be supposed (charitably, perhaps) that Armour made overtures to buy him out and that Earl refused. However this may be, Armour shortly allied himself in the most remarkable way with Porter Brothers. The exact nature of this alliance has been made a great mystery in the voluminous testimony since taken on the subject. I may say that it is not much of a mystery elsewhere. Before the Inter-State Commerce Commission the fact was disclosed that in a very few years the Armour concern "lent" to Porter Brothers sums amounting to $485,000 or thereabout. The Armour Company is not a bank; it does not ordinarily lend money. What, then, were these repeated "loans"? It is only necessary to read the testimony to see that they were rebates by which Porter Brothers were enabled to undersell the Earl Company.* The bitter struggle lasted some years, and victory made her usual decision for the stronger battalions. When the Earl Company had stood the siege as long as it could it surrendered, and the Armour Company took over all its business, including the Continental Fruit Express. Thereupon the conqueror must have reversed the rebate process, for after a time Porter Brothers went into bankruptcy, and the Armour Company succeeded to the monopoly of the California fruit business.

The old California Fruit Transportation Com-

* See Inter-State Commerce Commission Proceedings, Private-Car Case, pp. 27, 28, 29, 191, 192, and elsewhere.

pany, the C. F. T., now a Swift concern, had taken no part in the contest, and for an excellent reason. When the Inter-State Commerce Commission was investigating, at Chicago, October 13, 1904, the subject of Private Cars, one of the witnesses examined was George P. Robbins, vice-president and general manager of the Armour Car Lines. I take this extract from the proceedings:

"Commissioner Prouty: 'What other lines are there now that can operate in competition with your line? Suppose a railroad wanted a line of refrigerator cars, what line could it go to besides the Armour Line?'

"Mr. Robbins: 'Well, there are several other lines that do some business.'

"Commissioner Prouty: 'Name some of them.'

"Mr. Robbins: 'The Swift people and the California Fruit Transportation Company.'"

Mr. Robbins said this with the air of a man reading the funeral service, but the effect on his auditors was very different. Some gasped, and some wanted to shriek with laughter. The delicate point of Mr. Robbins's sally can be appreciated only by understanding that to all intents and purposes Swift is Armour, and the California Fruit Transportation is Swift, and the Fruit-Growers' Express is the California Fruit Transportation, and the Beef Trust is one and all of these together, and there is no more chance for anyone to compete with the Beef Trust in the California fruit trade

than there is to get the average railroad traffic manager to admit the truth about rebates. Human ingenuity cannot make the comparison stronger.

It is quite true that for some years the Swift and Armour Car Lines had maintained a show of competition, but after the formal launching of the Beef Trust as the National Packing Company, even this show was abandoned and all the refrigerator-car lines of the packers, under whatever names, were operated practically as one. The names are legion, and from them the uninitiated would never imagine the real ownership. Here are some of the titles:

Armour Group

The Armour Refrigerator Line
The Armour Packing Company
Armour & Co.
Fruit-Growers' Express
Kansas City Fruit Express
Continental Fruit Express
Boyd, Lyman & Co.
Kansas City Dressed Beef Line
Barbarossa Refrigerator Line
Tropical Refrigerator Express

Swift Group

Swift Refrigerator Line
California Fruit Transportation
Continental Fruit Transportation
Libby, McNeil & Libby

Morris Group

Morris Refrigerator Line
Nelson Morris & Co.
American Live-Stock Company
N. K. Fairbanks

Hammond Group

George H. Hammond & Co.
National Car Line
Anglo-American Refrigerator Line

Of the cars marked Armour Refrigerator Line there are about 6,000; of the Fruit-Growers' Express, 6,000; Continental Fruit Express, 1,600; Swift Refrigerator Line, 4,500; National Car Line, 2,300; and so on. Of the 54,000 refrigerator cars (conservatively estimated) in the United States, probably 42,000 are owned or controlled by the Beef Trust, and most of the others are operated by its permission and in territory that it designates.

Now you can begin to see why your household expenses have so much increased since the Beef Trust commenced operations. Ninety per cent. of the vegetables and fruits sold daily in all Northern cities have been transported on railroads; seventy-five per cent. of these have been transported in refrigerator cars. With practically all such cars under its control, the Trust has the produce trade by the throat. It can make the charges what it pleases.

I purpose hereafter to show in detail exactly how and to what an alarming extent this is done, and how it effects every householder. For the present I give these illustrations:

Humboldt, Tenn., 526 miles from Chicago, is a great shipping-place for tomatoes. Suppose a shipper there has enough tomatoes to fill two cars. He applies to the railroad. The railroad probably has cars of its own, but, under the threat of the Big Pistol, it will furnish none but Trust cars. It notifies the Trust, which sends down two empty cars from Chicago, charging the railroad three-quarters of a cent a mile on each. The tomatoes are put aboard, the train starts for Chicago, and in thirty-six hours it is there. The railroad company presents the consignee with its own bill of $74 on each car for freight and $84 on each car for the Trust, collects the whole amount and gives the Trust $168. The Trust's charges are called "icing"; there has been consumed in the two cars perhaps $30 worth of ice. Net profit to the Trust $138, plus the mileage on the two cars each way, about $16; total, $154; and the cars cost to build about $900 each.*

Or take the Michigan fruit region; take the shipping-point of Lawton, for instance. Lawton

* These are conservative estimates. Nobody knows the exact figures and nobody is likely to know. The railroads and the Trust refuse to give detailed information on this subject. See J. W. Midgley's testimony before the Inter-State Commerce Commission, Chicago, October 10, 1904, page 9. All of Mr. Midgley's testimony is well worth reading and pondering upon.

is the centre for the grape trade. It is 125 miles from Chicago. Suppose a shipper there has enough grapes to load a car. He applies to his local railroad agent. Now, grapes can be shipped in any kind of a car that has ventilation; ice is not necessary. The railroad has plenty of ventilated cars, any one of which would be adequate for this shipment, and for their use there would be no charge, but it does not dare to let the shipper use one of them. The Trust sends from Chicago a car of its own (charging mileage, of course), the grapes are taken aboard, the car starts for Chicago at six o'clock in the evening, arrives there the next morning, and the railroad company presents to the consignee a bill for its own freight charges and the Trust's bill of $25 for "icing." Very likely no ice was used. If there were, it was not more than a ton. Call it two tons, and the Trust has taken $20 profit besides the mileage—and the testimony before the Inter-State Commerce Commission has shown that the mileage alone is enough to secure fat profits on any of the cars.

This is the situation from one end of the country to the other. No region escapes except by not using any product that is carried in a refrigerator car. It is just as bad for New York as it is for Chicago; it is the same in Boston as in St. Paul. I have seen bills consignees have been compelled to pay that charged $45 for ice (eighteen tons) at a time of the year when the ice in the car would not

melt at all unless a fire were built underneath. Fruit used to be carried in refrigerator cars from the Michigan region to Boston without "icing" charges. When the gouging game began the charge was made $20 a car. Next it was elevated to $40 a car. It is now $55 a car, and the price of ice has not advanced a cent. The railroads are forced to assist the Trust operations; to send out the circulars announcing the new rates, to collect the tribute, and to turn it over without deduction to the gentlemen who conduct the Trust. They are even obliged to browbeat and threaten those who object to the extortions, to blacklist and try to ruin them, and to fight the Trust's cases in the courts. A more extraordinary situation has never been known in this country. The railroads have been driven to abdicate their own legal and indubitable rights to assist the banditti of an enjoined combination.

If you will multiply the instances I have given, and which I shall support hereafter with additions and documents, into all the perishable products that are carried in refrigerator cars to all the markets of the country from ocean to ocean, and from Canada to Mexico, you will have some conception of the relations of the Beef Trust to your daily affairs.

But only an inadequate conception, for in ways that you probably never heard of and on things that escape your attention, constantly you pay your tribute to the greatest Trust in the world.

CHAPTER IV

THE SURRENDER OF THE RAILROADS

"*Above all else we must strive to keep the highways of commerce open to all on equal terms.*"—President Roosevelt's Message, December, 1904.

YOU think it strange that the railroad companies should submit to the bullying and browbeating of the Beef Trust; you think the story of the Big Pistol and the terror it inspires is improbable or exaggerated. You have not so known the railroads of America. In your experience with them, if you have had any, you have found them aggressive, defiant, and independent. At least, you have a fairly definite impression that they are a great power and not to be coerced, sometimes not even by the law itself.

And yet I have not begun to tell the real extent of the awe and dutiful submission wherewith these great corporations have come to regard the Trust.

The railroads of America not only endure the extortion of mileage for hauling Trust cars, but the Trust robs them and gouges money from them in many ways, and they know full well they are robbed and dare not stop the robbery.

To begin with, and to make the subject clear

to the layman, I must explain that under the present system of railroad freight charges, commodities are classified, and different rates by the hundred pounds are applied to the different classes. Every railroad is compelled by law to publish its tariff and its classifications and forbidden to depart therefrom so long as the published tariff is in force. As a rule all the railroads are supposed to maintain the same rates between given points. Thus the published charge for carrying dressed beef from Chicago to New York is forty-five cents a hundred pounds by all railroads between the two cities; the established rate for packing-house products (that is, salted and preserved meats, lard, and so on) is thirty cents a hundred pounds; the established rate for dairy products (butter, eggs, cheese) is from sixty-five to seventy-five cents a hundred pounds.

Now these rates are for full car-loads. On anything less than full car-loads the rate is twenty per cent. higher.

Good. But it is evident that if any shipper can succeed in shipping dairy products as dressed beef or as packing-house products, he will effect a great saving in his freight-charges.

To guard against such a fraud, constituting what I had almost called the national vice of "underbilling," the railroad companies have men detailed to watch the loading of cars, or to examine them after they are loaded, and to see that the contents tally with the billing.

That is, they do in the case of ordinary shippers. In the case of cars shipped by the Trust the inspection is merely farcical.* The railroads know it is farcical; they designedly make it farcical, and there have been times when nineteen in every twenty cars shipped out by the Trust went without any kind of inspection and the twentieth was inspected by a blind man.

The result is that the Trust can send out its cars "underbilled" and thus get a lower rate than any other shipper can get. That is to say, it can get still another form of rebate.

You see, the Trust is a great deal more than a dealer in dressed meats; at all of its thousands of branch houses, covering every considerable city, town, and village in the country, it deals in dairy products; at many of them it deals in a variety of country produce. A great part of the supplies for these houses comes from the West. Now, if its cars should be loaded partly with dressed beef and partly with dairy products or something else, and then should be billed as car-loads of dressed beef at a forty-five-cent rate, or as car-loads of packing-house products at a thirty-cent rate, that

* It may seem strange that the railroads should in any circumstances be willing to surrender money receipts for the sake of increasing their tonnage figures; in other words, that they should lose at one end of the game for the sake of making at the other. The explanation is that the grand test of managerial success lies in the showing of total tonnage. Any loss of tonnage carried reflects upon the management; the loss of money involved affects only the stockholder, who, by the way, never hears of it.

would work a double injury to the railroad. Not only would the dairy products be carried at thirty cents, or at forty-five cents, as the case might be, but there would not be a car-load of dressed meat, and there would not be a car-load of dairy products. Hence the rate on each should be twenty per cent. higher.

The cars are loaded at the enclosed platforms of the Beef Trust houses in Chicago, or Omaha, or Kansas City; they go straight to the siding of a Trust branch house in Hartford, or Rahway, or Taunton. No one checks them, no one inspects them; the Trust can ship in them what it pleases.

All this was succinctly laid before the Inter-State Commerce Commission at its hearing in Chicago, October 10–12, 1904. Mr. F. O. Becker, who has charge of the inspection work for the interested railroads, admitted that it was perfectly easy for the Trust to underbill its cars if the inspector were not present, and the inspector usually was not present; it was out of the question for him to see more than a small proportion of the cars shipped from the Trust houses.* As to the extent to which "underbilling" is practised, there is but one belief in the trade. If you can get any railroad man to tell you his inmost convictions, he will admit that it is of the commonest occurrence. A manager of one

* Inter-State Commerce Commission hearing, Chicago, October 10–12, 1904, pp. 79 to 86. For conclusive testimony on this point, see page 166, where it is admitted that one inspector is supposed to inspect 75 to 100 cars a day, and that it is a physical impossibility for him to do so.

of the Eastern branch houses of the Trust has declared that almost every car arriving at his place contained butter, eggs, dressed poultry, and sometimes even stationery, although it had been billed through as a car-load of packing-house products. "Mixed car-loads," he said, were the rule, and they were shipped under one classification, whereas if they had been shipped by an outsider they would have taken three or four classifications and a total rate thirty to fifty per cent. higher.

Of course, lax inspection is a fraud, and the railroads know it is a fraud, but they submit to it. Why? Well, in any railroad organization the head of any department that enforced a too rigorous inspection of Trust cars would quickly find himself without a job. The Trust would simply complain of him to his president or general manager, and accompany the complaint with a hint of diverting cars from that road, and off would go the offender's head. In the Trust household the useful Ax hangs hard by the ready Pistol. More than one promising career has been cut short when over-zeal has run against these necessary implements of Trust husbandry.

The Trust compels the railroads to expedite its cars so that the average daily run of a Trust car is 108 miles, while the average daily run of an ordinary car is only twenty-five miles. It also compels the railroads to repair its cars,* a curious, but very

* Under the Master Car-Builders' rule.

profitable extortion. In many cases it compels the railroads to refuse to furnish other than Trust cars; in all cases it compels them to act without charge as the Trust's collector and agent, and to blacklist and persecute shippers that earn the Trust's ill will.

The railroads have not submitted gracefully to these impositions. Men of independent spirit among railroad executives have not ceased to protest, to complain, to propose remedies. Of course, if all the railroads were to unite in a firm stand against the Bandit, he would be put to flight, but the fact is that so far it has been utterly impossible to secure any such union. The story of the repeated attempts in this direction sounds like the plot of a comic opera—for children. The solemn gatherings of indignant citizens loudly protesting their right to do what they will with their own, the vowing of awful vengeance against the Tyrant, and the wild helter-skelter flight the instant the Tyrant is heard approaching, are vastly entertaining everywhere except in the railroad offices. Mr. J. W. Midgley's beneficent car-service reform would have stopped the whole thing if the railroad managers had had the courage of sheep. Mr. Midgley was employed to expedite the movement of freight cars and devised a plan whereby the payment of one road to another for the use of the other road's cars was to be changed from a mileage basis to so much a day. This would have knocked out of existence the Trust's mileage charge and put the

use of its cars on the basis of a uniform rental. The proposal was enthusiastically received by many of the railroad men, but when it came to adopting the plan the Trust compelled the railroads to add the sixteenth clause, by which refrigerator cars were exempt from the agreement. The strongest railroads in the country could not stand against that great power.

I can give the history of all attempts to get united effort in this matter by reciting one; the rest are as like it as two peas.

For this I must go back a little. In addition to the swindle of "mixed car-loads," another device by which the Trust is able to gouge the railroads is afforded by means of the "minimum load limit." This is a rule of the railroads, by which not less than a certain weight (20,000 pounds in the case of dressed beef and the like products) can be accepted as constituting a car-load lot; if less, the shipment must be charged for at the less-than-car-load rate, which is twenty per cent. higher. Now, it is to the interest of the railroads to keep the minimum loading limit as high as possible, but the present low minimum, 20,000,* was fixed by the packers, and the railroads have been unable to raise it.

Their impotence in this respect was a sore grievance to many presidents and managers; the idea of having the limit fixed by shippers was an intol-

* It is 26,000 to 30,000 pounds on commodities in which the Trust is not interested.

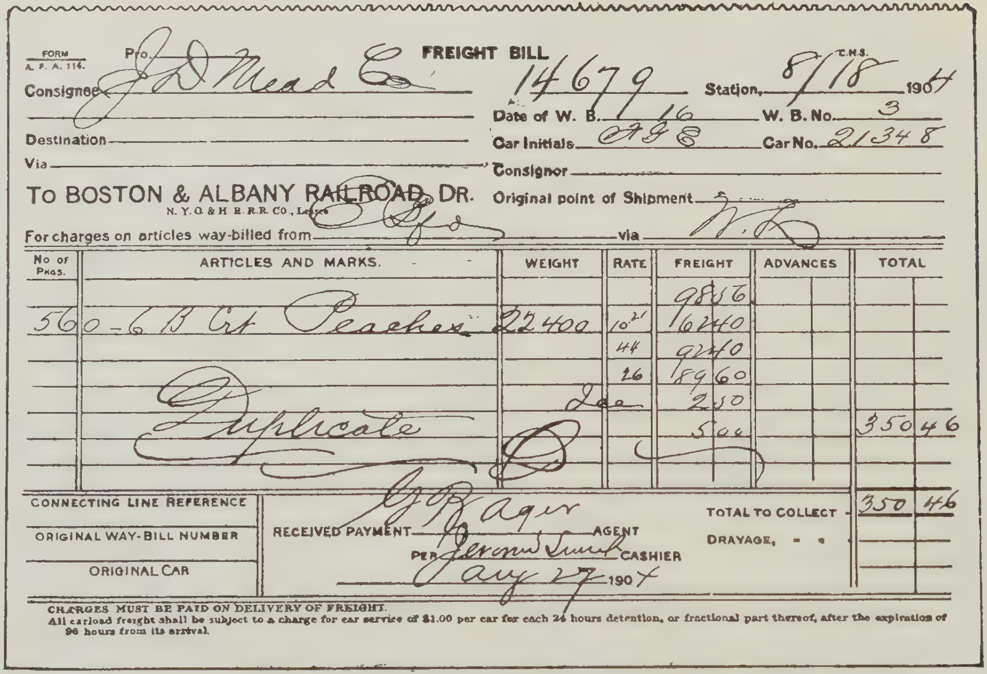
erable humiliation, and about two years ago a quiet agitation was begun by one of the more independent presidents to secure joint action. He found everywhere the most cordial welcome for his idea. Unite to resist this outrageous imposition? Splendid idea! So he arranged to call a meeting.

Of course, the meeting should be held in New York, and someone suggested that the best place would be the office of President Newman, of the New York Central. Splendid idea, again! But I have heard that when President Newman was told of this pleasant and complimentary arrangement he leaped from his chair, white with excitement, and exclaimed:

"What! In my office! My office! Not if I know it! Who suggested that? Do you think I am CRAZY? I know when I have had enough. They are diverting 150 cars a week from this road now; do you think I want to lose any more? You will not hold that meeting here if I know it. Hold it in a club, hold it in a hotel, you can't hold it here!"

So on December 12, 1903, sixteen presidents or managers of the greatest railroads in America, eminent citizens—all of them, captains of industry, kings of finance, some multi-millionaires, sneaked into New York and gathered one by one in a back room up-stairs in the Metropolitan Club. Some, I am informed, did not dare to register at a hotel. You would have thought they were a band of burglars preparing to crack a bank, instead of some

SAMPLE OF THE EXTORTIONATE FREIGHT BILLS USED BY THE BEEF TRUST.



FORM A. F. A. 114.

FREIGHT BILL

Pro. 14679 Station, 8/18 C.N.S. 1904

Consignee J D Mead Co

Date of W. B. 1/16 W. B. No. 3

Destination

Car Initials A G E Car No. 21348

Via

Consignor

To BOSTON & ALBANY RAILROAD, DR.
N. Y. C. & H. R. R. R. Co., Lessee

Original point of Shipment

For charges on articles way-billed from via

No of Pkgs.	ARTICLES AND MARKS.	WEIGHT	RATE	FREIGHT	ADVANCES	TOTAL
				98 56		
560	6 B Crt Peaches	22400	10 21	62 40		
			44	92 40		
			26	89 60		
		Ice		2 50		
	Duplicate			5 00		350 46

CONNECTING LINE REFERENCE

ORIGINAL WAY-BILL NUMBER

ORIGINAL CAR

RECEIVED PAYMENT G. P. Rager AGENT

PER Jerome Tuml CASHIER

Aug 27 1904

TOTAL TO COLLECT 350 46

DRAYAGE,

CHARGES MUST BE PAID ON DELIVERY OF FREIGHT.
All carload freight shall be subject to a charge for car service of $1.00 per car for each 24 hours detention, or fractional part thereof, after the expiration of 96 hours from its arrival.

This bill is for a car-load of peaches from Missouri. The items, "$98.56," "$62.40," "$89.60," are for freight charges. The item, "$92.40," is for "icing," and the two other "icing" charges, "$2.50" and "$5," were added arbitrarily. This is called a "trial bill," which means "try to collect it" from the merchant.

of the foremost citizens of the country met to defend their property from a gang of freebooters. The meeting was spirited and harmonious. To give heart to the timid it was agreed that nothing about it except the result should be made public. After a free exchange of opinion in which the enormities of the Trust were very eloquently portrayed, a resolution was unanimously adopted that after thirty days from date on all the railroads represented at the meeting, the minimum load should be 24,000 pounds.

This resolution, you understand, was solemnly agreed to by the representative of every railroad, and the meeting adjourned with the best of feeling. So the minimum load was increased, you think, the Trust was hammered, the independence of the free-born American citizen once more vindicated, and so on? Not exactly. The matter was never heard of again; nothing was done, nothing came of all that indignant eloquence. The minimum load was not raised in thirty days nor at any other time, but within forty-eight hours the Trust people knew all about the meeting, who had been there, and what each man had said. I do not know how I could better illustrate the terror inspired by the Big Pistol than to recall the fact that it was a meeting of gentlemen and that they had agreed to secrecy.

Or take another illustration. On February 18, 1903, two years ago, you perceive, the federal court at Chicago enjoined the Beef Trust from do-

ing certain things. Every day since then it has done the identical things it was enjoined from doing. From time to time spasmodic efforts are made to discover why a federal court injunction, binding on everybody else, is not binding on the Beef Trust. The demands for an investigation were particularly urgent at the time of the Stock-Yards strike in the summer of 1904 (about which I shall have a little story to tell hereafter), and in August Mr. Garfield, Chief of the Bureau of Corporations at Washington, sent some of his men to Chicago to collect the necessary evidence of the law-breaking. Ample warning was sent from Washington, I do not know by whom, and when Mr. Garfield's men arrived in Chicago they were met by Trust detectives who never let the Washington men out of their sight by day or night. The course of the investigation led naturally into the railroad offices. Whenever one of Mr. Garfield's agents entered such a place he was followed within twenty-four hours by a confidential representative of the Trust, who said to the railroad officer:

"One of Garfield's men was in here yesterday. What did you tell him? Did you tell him anything about our arrangements?"

These questions were not put lightly, but with a menace of tone that conveyed to the railroad man what he might expect if he were indiscreet. Naturally enough, Mr. Garfield gleaned no information from the railroads.

Why are the railroads so easily frightened by these banditti? you say, and why do they not combine to protect themselves? They can combine easily enough when it comes to raising freight-rates. That is just the point. In this matter they cannot so combine that they will trust one another. In every attempted combination one or two railroads are always weaker than the rest and at a natural disadvantage in getting business. These roads are like hungry Indians on the trail; they are out for freight on any terms they can get. No agreement has ever been formulated that will bind such roads. Rebates are so easily arranged, they have a thousand such plausible disguises, they are so difficult to detect, that no road feels any security against a piratical competitor. Again, between Chicago and the East are two Canadian lines. These are not under the operation of the Inter-State Commerce law nor of federal authority; there is no way to regulate or control them. The constant threat of the Trust is that it will divert its shipments to these Canadian lines, and the American roads, having learned to their bitter sorrow what that diversion may mean, have no desire to get in the way of it.

At first sight the competition of two Canadian lines would not seem a very formidable factor, since not much of the Trust freight can go to Canadian points; but beware of the insidious and hidden meaning of the phrase. By their connections and joint-traffic arrangements the Canadian lines can

reach almost every point in the Eastern territory. It is as easy for them to deliver Chicago freight in New York or Philadelphia or Springfield, Mass., as it is to deliver it in Montreal.

You must remember that the freight traffic controlled by the Trust is really tremendous; the Trust is the largest shipper in the world. From Chicago the annual shipments of dressed beef are about 1,500,000,000 pounds, of lard 375,000,000 pounds, of barrelled pork about 175,000 barrels, of other pork products about 600,000,000 pounds. Kansas City packs nearly 1,000,000 hogs a year, South Omaha a little less, St. Louis 500,000, St. Joseph about the same, Sioux City half as much, St. Paul a little more than Sioux City. And this is only a part of the story. Consider the enormous shipments of dairy products East and West: 57,000,000 pounds of cheese, 197,000,000 pounds of butter, more than 1,000,000 cases of eggs from Chicago in 1903, a great part controlled by the Trust; consider also the vast shipments of dressed poultry, country produce, fruit of many kinds, the great trade in fertilizers and offal, the canned goods and soap that are shipped out by the Trust, and the salt and other supplies that are shipped in, and it is no wonder that any railroad president should be terrified at the prospect of losing his share of this huge traffic. It would make a horrible hole in his freight receipts, his quarterly statement would look very sick, it would send flying down the price of his

stock in Wall Street, he would have a swarm of furious stockholders and directors and bankers and investors and speculators howling at him, and to these it would never explain anything to say he was fighting for principle against an extortionate monopoly. The thing would mean utter ruin to him; his resignation would be asked for inside of three months. Railroad stockholders don't want ruinous fights "for principle"; they want big tonnage figures and dividends.

The success or failure of any railroad president's administration lies absolutely in the hands of these banditti; they can send their freight where they please; they can make or ruin any administration. Is it wonderful or strange that the presidents and managers and directors strive in every way in their power to please the men that hold over them the power of official life and death? And if the presidents and managers and great men of the railroads live in this abject fear, so that literally they dare not be seen to speak in the street to a man known to be inimical to the Trust, what shall we expect of the smaller men, the subcommanders and lieutenants whose positions depend upon the beckoning finger or nodding head of any member of the Trust? Some man thinks there should be a stringent inspection of packing-house products: at a mysterious sign from the men that hold in leash the president of that railroad, the offender finds himself dismissed. Another man in the operating

department cannot see why Trust cars should be hurried through twice as fast as anybody else's cars: there is another whisper of complaint, and out he goes. The president, the traffic manager, must look out for himself. He cannot face a directors' meeting with a showing of decreased traffic. "Results" is the imperative cry in his ears. Results, results, he must exhibit results. He is employed to increase the traffic; if he cannot do that, he knows he must go.

Some of the fruits of this system come to the surface from time to time in ways calculated greatly to shock the good souls that repose pleasantly in a belief in the general morality of business. Before the Inter-State Commerce Commission in October, 1904, were examined many witnesses supposed to know about the system of paying rebates to shippers. They were clerks, officers of some of the car lines, and men subordinately connected with railroads, for instance. When they were questioned about rebates said to be paid by their respective lines, they all denied knowledge of any such matter. Finally there was called to the stand Mr. F. J. Reichman, vice-president and manager of Streets' Western Stable Car Line, for which appeared as attorney, Mr. Levy Mayer, of Chicago, an able, candid man. When the question about rebates was put to his client, Mr. Mayer would not allow it to be answered on the ground that the Elkins bill, as I have previously indicated,

removed all these Private-Car companies from the jurisdiction of the commission. In the course of his extremely plain and forcible remarks, Mr. Mayer said:

"Suppose the Company did make an allowance to a shipper. The shipper is not a railroad. This commission has to do with common carriers, and if shippers, by means of the use of the Streets' car, get some payment—assume they do—that is not prohibited by law, directly or indirectly, and what this Company does every Private-Car line does, no matter what witnesses may testify, and no matter what their disregard for their oath may be."

I commend this most significant statement to the serious attention of any person that cares to know what is the effect of the money mania upon individual consciences in high places. But when the general manager, the general auditor, and other general officers of a great railroad system, men of the highest standing and repute, are willing, as I shall show hereafter, to go upon the witness-stand and swear to statement after statement absolutely untrue, and proved to be untrue from their own records, what kind of moral tone shall we expect of subordinates who hold their positions from day to day and with fear and trembling?

The fact is that no one can give close heed to this subject without getting a distinct impression of general depravity. The Trust robs the railroads, the railroads in innumerable thievish ways gouge

the shippers, the shippers pass over to the public the crushing burden of the illegal tribute, the laws are violated a thousand times every day by every railroad, until to mention law is to cause the initiated to laugh, the traffic of the country is rotten with forbidden rebates and scandalous discriminations, railroad executives risk the penitentiary to pile up their traffic figures, and behind all is the Bandit of Commerce, taking toll.

CHAPTER V

THE LOOT FROM THE PRODUCE MARKET

BUT the Trust's extortions from the railroads are small compared with its extortions from the shipper, the grower, the commission merchant, and the small dealer. The situation it has created in respect to these interests is so extraordinary that the attention of the whole country should be drawn to it. We are fond of thinking and saying that the American idea is the idea of equal opportunity; that here every man is free to make his own way without the interference of Government or the incubus of arbitrary power. Suppose we see how that matter stands:

Edward G. Davies is a commission merchant at No. 2 South Water Street, Chicago. He is a Welshman, and has some Old-World notions about justice and right. His business is to receive fruit as consignee and to sell it. All the stuff he receives must be handled in refrigerator cars. When he began business in Chicago twelve years ago, the Beef Trust had not been formed, and what "icing charges" existed at all were nominal and bothered nobody. As the Trust was evolved, Mr. Davies

found that he was constantly paying heavier and heavier charges for "icing" in the refrigerator cars that came to him. On August 11, 1904, he received over the Chicago & Eastern Illinois Railroad a car-load of melons from Decker, Ind.—a Trust car on which the "icing charges" were $45. Decker is 247 miles from Chicago, and the time consumed in transit was sixteen hours. The cost of ice is $2.50 a ton placed in the ice-bunkers of the car. That would mean that eighteen tons had been consumed in sixteen hours. Mr. Davies knew that it would be utterly impossible (without a fire) for eighteen tons of ice to be consumed in sixteen hours in that car; he knew that the actual consumption of ice was not more than four tons. So he refused to pay the bill.

The Chicago & Eastern Illinois Railroad Company, acting gratuitously as agent for the Trust, undertook to enforce the claim. Mr. Davies denounced the icing charges as extortionate and unjust, but offered to pay the freight charges, which were the only items the railroad had any right to be interested in. The railroad refused to accept the freight charges without the Trust extortions, and threatened to "shut off his credit." Mr. Davies invited them to proceed. The next thing he knew, a circular was issued by Mr. Hillman, General Freight Agent of the Evansville & Terre Haute Railroad (a Trust line) notifying all shippers that thereafter all shipments to Edward G. Davies must

be prepaid. This was equivalent to an absolute boycott. No shipper in the commission trade can undertake to prepay charges, and Mr. Davies's business came to an end so far as that railroad was concerned.

He still refused to pay the claim. A few days later, according to his sworn statement, he received a visit at his office from Mr. A. R. Urion, general counsel for the Armour Car Lines. Mr. Urion was accompanied by friends. He invited Mr. Davies to step into the hall outside where he desired some conversation with him. Mr. Davies went into the hall. Thereupon Mr. Urion told him he would have to pay the charges or get out of business. He said in effect that the Trust would ruin him; that it would be impossible for him to get any refrigerator cars thereafter, and without refrigerator cars he would be powerless. The Welsh spirit rose at the word. Mr. Davies said:

"Gentlemen, I will have you to understand that I don't know Mr. Armour and don't want to know him, but he can't interfere with inter-state commerce in this country, and if he tries to, I will have him in court. Just tell him that."

Mr. Urion went away. Mr. Davies has never paid the charges, and since that day he has never been able to get any business over the Evansville & Terre Haute.

Now note what followed: On October 1st he received a car-load of fruit from Lawton, Mich.,

on the Pere Marquette Railroad. It was Fruit-Growers' Express (an Armour line) No. 15412. On this the "icing charges" were $22.50. But he had a letter from the shipper saying that the car had not been iced at all. The charge was mere robbery. Naturally, Davies refused to be plundered. Three days later his shipper at Lawton sent word that he had been notified by the Armour agent there that no cars could go to Edward G. Davies unless the charges were prepaid. In other words, the Trust was trying to carry out its threat to ruin him. But about that time Mr. Davies made one or two moves on his own account, and laid the whole matter before the Inter-State Commerce Commission; Mr. J. W. Midgley delivered his sledge-hammer blow against the Private-Car outrage, and in the resulting publicity the active crusade against Mr. Davies was necessarily suspended. But the embargo still stands on his shipments.

There was nothing exceptional about this case. It is merely typical of what goes on everywhere. On August 18, 1904, J. D. Mead & Co., No. 38 Clinton Street, Boston, received a car-load of peaches from Missouri, Fruit-Growers' Express No. 21348, on which the total charges amounted to $345.46. As is usually the case since the Trust began these operations, there was nothing on the bill to show what the various charges meant. By dint of repeated complaint the firm induced the railroad, the Boston & Albany, to furnish an explana-

tion. It then appeared that there were three items of "icing": $92.40, $2.50, and $5.00, total $99.90. This for a service that was once performed free. Mead & Co. demurred to the charge on the ground that it was excessive. The railroad company acted its usual part of browbeating collector, but the firm continued to protest. In the end it was developed that the $2.50 and the $5 had been added arbitrarily and the bill made on the plain basis of squeezing all that could be obtained from the firm.

Subsequently the firm received a car-load of peaches from Cumberland, Md., in which there was an "icing charge" of $64, indicating the use of about twenty-five tons of ice. As the ice-bunkers in the car hold only four to six tons at a time, and the distance from Cumberland to Boston is not great enough to make more than one re-icing necessary, the fraud was manifest. Mead & Co. objected so strenuously that the railroad officers seemed somewhat abashed and promised to look into the bill. They said it had been sent to them from New York for collection and it was a "trial bill."

"What in the world is a 'trial bill'?" asked Mr. Mead.

"Try to collect," said the manager laconically.

That is to say, it was merely an attempt to "bluff" the firm into paying a baseless charge.

The bill went back to New York with an explanation of the firm's belligerent attitude, and

when it was returned it had been cut down to $24 —a reduction of $40. This was still in excess of a reasonable charge, but the shipper declared he would rather pay it than endure the delays and vexations of court proceedings.

A few of the railroads, the Illinois Central and the Pennsylvania, for instance, own refrigerator cars, and when these run over another road than the owner's, or when they come from one of the regions that the Trust has taken for its own, the Trust insists that the railroad shall collect the full Trust charges and turn the money into the Trust treasury. That is to say, the Trust must be paid blackmail for the railroad's use of the railroad's own cars. This seems preposterous or impossible, I know, but it is done. For instance:

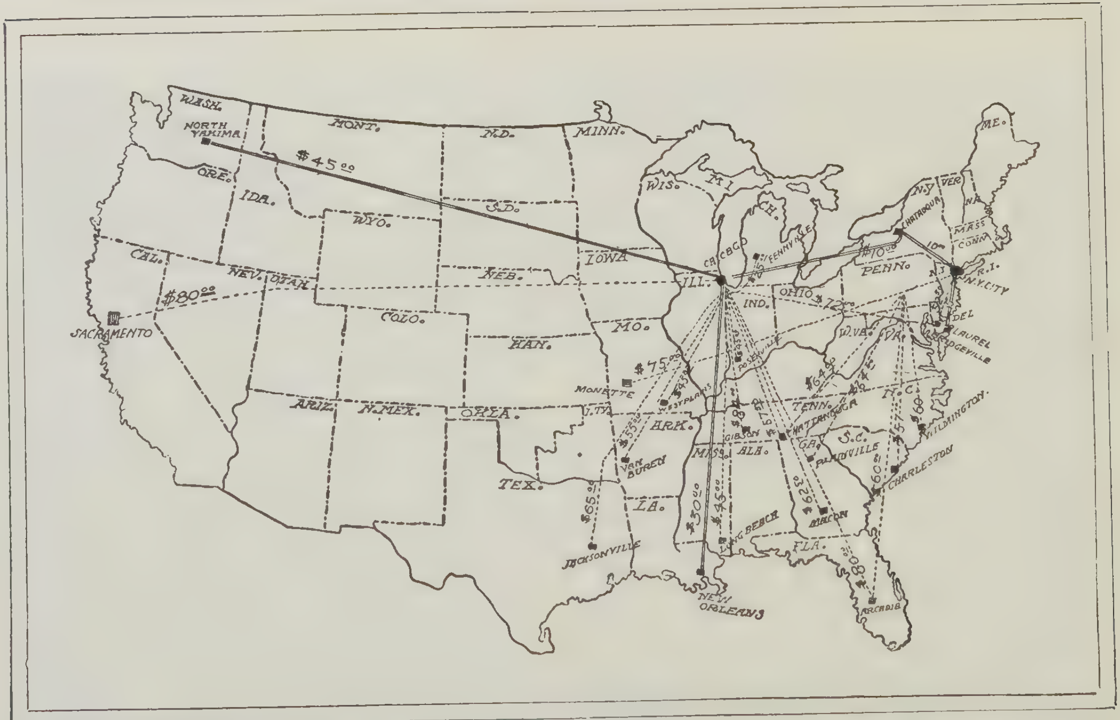
On August 13, 1904, the firm of Coyne Brothers, South Water Street, Chicago, received Illinois Central Refrigerator Car No. 54816, loaded with melons from Poseyville, Ind. On this the Illinois Central presented a bill for $45, "icing charges." The regular Illinois Central "icing charges" for that distance are about $10, but the Trust rate is $45. The freight charges on that car, by the way, were only $39, so that the icing cost more than the freight.

Coyne Brothers protested to the Illinois Central with the usual result. They offered to pay the freight bill without the larcenous "icing charges." The railroad company announced that the whole

bill would have to be paid or the firm would be taken off the credit list—in other words, would be boycotted as Mr. Davies had been boycotted. The next day a representative of the Armour line called on Coyne Brothers and attempted to induce payment, plainly revealing the real origin of the charge. Upon this cue Coyne Brothers went to W. R. Bascon, in charge of the Illinois Central refrigerator service, and Mr. Bascon admitted the existence of an arrangement by which the Trust was to be paid at Trust rates on all the shipments from the melon region by whatsoever cars. Coyne Brothers steadily refusing to submit to the " icing " swindle, the railroad, which is reputed to be one of the fairest and most honorable in the country, abandoned the rest of the claim. But the Trust insisted upon the full pound of flesh, and is now suing Coyne Brothers in the courts. And this for the use of a car that did not belong to the Trust, and for ice that the Trust never furnished.

A curious little incident in the history of the same firm casts further light on these matters. On August 11, 1904, it received a Louisville & Nashville car loaded with melons from Epworth, Ind. It came to Chicago by the Chicago & Eastern Illinois. On the original bill was the regular Louisville & Nashville " icing charge " of $14, Epworth to Chicago. But in Chicago some one added the Trust " icing charge " of $45 from Epworth, and the railroad company presented the bill with both

TRUST CHARGES COMPARED WITH INDEPENDENT REFRIGERATOR CHARGES.



It will be seen that the Trust often charges more for a short distance than independent lines charge for a distance four times as great. Compare, for instance, the Trust charge of $25 from Fennville, Mich., to Chicago with the Northern Pacific's charge of $45 from the State of Washington to Chicago.

amounts on it. Coyne Brothers demanded to know if they were expected to pay both "icing charges." The bill was thereupon withdrawn and returned with the $14 charge erased. Of course, this demonstrated that if the Trust were not empowered to play the bandit, the charge would have been $14 and no more. Coyne Brothers refused to pay the $45, and the Chicago & Eastern Illinois applied the boycott—that is, it took them off the credit list. The time was the height of the fruit season, carloads of fruit for the firm were lying rotting in the sun to the heavy loss of innocent shippers, but the railroad company refused to handle it until the firm deposited a certified check to prepay the charges. Coyne Brothers persistently refused to pay the Trust's extortions, and in the end Mr. Urion appeared at their office.

"I have come to tell you," he said, "that you will have to pay that charge or else everything that goes into an Armour car for you will have to be prepaid before it can start."

Mr. Summers, the manager for Coyne Brothers, says he shoved paper and pencil upon the attorney and said:

"Will you put that into writing for me?"

"I will not," said Mr. Urion. "You understand plain English, don't you?"

In the next few days the firm found that its shipments from the Michigan grape region were cut off. It sent one of its own men there to load

cars, but the railroad agent refused to bill them. He said, "I have my instructions from Armour's man here and must follow them," and there was no way by which the firm could get past that barrier. They tried, indeed, to get other cars than Trust cars, to send other cars from Chicago. The railroad refused to furnish other cars and the embargo was complete. "I have my instructions from Armour's man," said the railroad agent. There could be no more conclusive evidence of the Trust's domination in railroad affairs.

From the hundreds of cases that are on record and might be specified I give a few selections merely as illustrations of a universal condition that is the chief factor in the increased cost of living in America. It must not be supposed that this condition is particularly worse in any one community. Every town or city suffers in about the same way.

On August 15, 1904, J. C. & C. R. Scales, No. 114 South Water Street, Chicago, received a carload of melons from Carlisle, Ind. The freight charges were $35.50, and the icing charges $50.63. Distance from Carlisle to Chicago, 216 miles; time consumed about eighteen hours. According to the icing bill there must have been consumed twenty tons of ice. The car-bunkers would hold no more than six tons of ice. There was no re-icing. Consequently there was palpable fraud to the amount of $35 on the cost of fourteen tons of ice.

On the same day William J. Ellis & Co., of

Chicago, received a car-load of tomatoes from Gibson, Tenn., a distance of 522 miles, and another car-load of tomatoes from New Orleans, distance 923 miles. The car from Gibson was a Trust car, operated under the system of exclusive contracts. On this car the icing charge was $73.92. The car from New Orleans was an Illinois Central car, operated on its own line and independently of the Trust, and on this the icing charge was only $15. That is to say, the Trust exacted almost five times as much as the independent line for a distance 400 miles shorter.

That the "icing charge," as applied by the Trust, is under all conditions utterly preposterous and unreasonable, can be demonstrated to any intelligence by reference to one simple fact:

There are no "icing charges" on dairy products.

Unless you are in the secret you will be puzzled to imagine why. Dairy products require as much icing as most fruits and vegetables; ice in a dairy-product car costs as much as ice in a fruit car, and melts as fast. Yet refrigerator cars run to all parts of the country with dairy products, and there is no "icing charge" for them no matter how much ice they require.

And here is the reason: The Trust is an enormous shipper of dairy products on its own account to its own houses; it is steadily engrossing the country's trade in such commodities. But it carries only

its own dairy products in its cars; it does not carry the dairy products of other shippers. Hence it has had no reason to enforce the "icing charge" on dairy products. But it does carry in its cars the fruit and vegetables of other shippers: hence on such commodities it enforces the "icing charge" against such shippers, and compels the railroads to collect it.

There are certain lines of refrigerator cars in the country that are not owned by the Trust; * these carry chiefly and sometimes solely dairy products. They get mileage from the railroads, but they are run without "icing charges" so long as they transport dairy products. Who pays for the ice? The company owning the car pays twelve and a half per cent. of it and the railroads pay the rest! Shipper and consignee pay nothing for it, nothing for the use of the car, nothing but the regular freight rate. But if the car happens to carry cabbages instead of butter, the shipper has to pay an average of ten times the value of the ice consumed. Can you imagine a more absurd arrangement? Or any greater source of profit for its beneficiaries? Take

* A clear distinction should be drawn between these cars and Trust cars. Small lines of independent cars are operated with no occasion, so far as I have been able to learn, for complaint from shipper or merchant. But, unluckily, these do not amount to enough to afford any considerable relief to the shipping public, and as most of them are engaged in carrying dairy products they do not affect the essence of the monopoly, which is the "icing charge." Also, we have nothing to do here with the devices for improving the transporting of cattle on the hoof, about which there seems to be some excitement. I am dealing with the situation created by the Trust.

these cars that are outside of the Trust. They get nothing but the railroad mileage and ten to twelve and a half per cent. commission from the railroads for the business they produce. Out of this revenue they have to pay part of the cost of the ice and heavy rebates wherewith to bribe shippers. Yet they all make money. One of the managers of the Santa Fé Refrigerator Line, the private enterprise operated by the officers of the Santa Fé Railroad, has sworn that his cars get no mileage from the Santa Fé Railroad, that only one-third of their operation is on other than Santa Fé tracks, and yet with these limitations the cars pay five per cent. annual rental and a good profit besides. What must be the profits of the 40,000 Trust cars with their expedited mileage on all roads, with the vast earnings of the "icing charge," with "mixed car-lots" for their own houses, with all the rest of the advantages they possess? Mr. E. M. Ferguson, of Duluth, Minn., who has given to the Private-Car problem more study than any other man has given to it, except Mr. Midgley, has estimated the net profits of the Armour Car Lines at $72,000 a day. This may or may not be accurate, but certainly the profits must be enormous; there can hardly be another business in this country that pays such immense sums on a like investment.

Who furnishes these great profits? Not the commission merchant. His protests against the Bandit of Commerce are largely disinterested. It

makes no difference to his pocketbook. Whatever may be the extortions of the Trust, he merely charges them up to the shipper's account. If, as often happens, the "icing charges" and the freight rate together equal the whole value of the shipment and leave the shipper nothing, that is no actual concern of the merchant. He loads the tribute upon the shipper, and the shipper loads it upon the producer, and the producer loads it upon you, and you pay it—good, easy man—three times a day.

The Gould interests have an independent refrigerator-car line called the American Refrigerator Transit, or the "A. R. T." The Vanderbilts have one called the Merchants' Despatch Transportation, or the "M. D. T." The Pennsylvania, the Northern Pacific, and some other roads have refrigerator cars of their own. It is customary for persons in the Trust interest to refer to these facts as evidence that there cannot be a complete monopoly in the refrigerator-car business. That is true; but the Trust compels the Gould interest to keep the "A. R. T." mainly in operation on the Gould roads, compels the Vanderbilts to keep the "M. D. T." cars mainly on the Vanderbilt roads or engaged in transporting dairy products, and the other cars do not amount to factors in the situation.

When the outside cars do carry produce for the general shipper they offer striking evidence of the extortions of the Bandit. The "icing charge" of

the Illinois Central in its own cars from New Orleans to Chicago, 923 miles, is \$15 to \$30; the Trust charge from Humboldt, Tenn., 560 miles, is \$84. The "icing charge" for a Pennsylvania car from Silver Creek, N. Y., to Chicago, 500 miles, is \$7.75 to \$10; the Trust's "icing charge" from Lawton, Mich., to Chicago, 120 miles, is \$25. I have seen freight bills for grapes shipped in an "M. D. T." car from the New York grape region to Boston in which there was no "icing charge," and other bills in the same month between the same points in which the Trust charged \$22. The "icing charges" in a Northern Pacific refrigerator car from the State of Washington to Chicago are \$45, the "icing charges" of the Trust from West Plains, Mo., to Chicago are \$60.50.

I do not see how it is possible to escape the conclusion that the essence of these performances is mere robbery.

The strongest weapon of the Yellow Car Bandit is the exclusive contract with certain railroads by which no refrigerator cars except Trust cars are allowed to be furnished to shippers. It is worth noting that these exclusive contracts have been pushed until they have established an impenetrable monopoly of all the important fruit regions of the country. Thus the Trust has exclusive contracts with all the roads that reach the peach region of Georgia, the peach, grape, and apple region of Michigan, the melon and tomato farms in Ten-

nessee and Indiana; and as for the fruit traffic of California, citrus and deciduous, that has long since passed wholly into the hands of the Trust.

As a sample of these contracts I select that with the Pere Marquette Railroad. This line is the most important fruit-carrier out of Michigan. Within the last few years it has established a new route from Chicago to the East. The Trust offered, in return for an exclusive contract giving it control of the Michigan fruit trade, to allow the Pere Marquette a certain weekly percentage of through freight from Chicago to New York. For this bribe the Pere Marquette became the bound slave of the Trust. The curious fact and the thing that should particularly interest the Department of Justice at Washington, is that while the exclusive refrigerator contract was made in the name of one firm, the percentage of through freight is made up by all the packing-houses, which is, of course, conclusive evidence—if any were needed—that the Trust and these firms are one and the same thing, that all the packing-houses are under one control, and the whole business of meat-supply and Private-Car gouging is worked together for a common interest.

The whole story of these operations is epitomized in a collection of circulars issued by the Pere Marquette Railroad, and now before me as I write. The first of these circulars was issued July 28, 1900, and contains the declaration, usual at that time, that

on shipments of 15,000 pounds or more of fruits and berries, and on shipments of 10,000 pounds of other commodities, the whole cost of icing and re-icing will be borne by the railroad without expense to the shipper. I place in contrast with this a circular issued by the same railroad on August 1, 1904, after it had made its exclusive contract with the Trust, announcing the following "icing charges" to the points named:

Further to illustrate the results of these contracts upon the cost of distribution and the daily affairs of the public I give a few typical comparisons:

TOTAL COST OF TRANSPORTING CAR-LOADS OF FRUIT OR PRODUCE FROM MICHIGAN POINTS, INCLUDING FREIGHT RATES AND "ICING CHARGES" BEFORE AND AFTER THE TRUST MADE ITS EXCLUSIVE CONTRACTS:

	Before the Exclusive Contract	After the Exclusive Contract
To Boston	$158.00	$213.00
" Dayton, O.	80.00	110.00
" South Bend, Ind.	50.00	80.00
" Scranton, Pa.	140.00	190.00
" Louisville, Ky.	86.00	116.00
" Indianapolis	80.00	110.00

There has been no increase in freight rates; the sole source of the increased cost is the "icing charge." Formerly the icing service was performed without charge as it is now on all dairy products.

THE PERE MARQUETTE'S "ICING-CHARGE" CIRCULAR.

TO	In Dollars per Car
Aberdeen, S. D.	45.00
Albany, N. Y.	42.50
Albert Lea, Minn.	40.00
Algona. Iowa	40.00
Alliance, Ohio	30.00
Altoona, Pa.	40.00
Ashland, Wis.	45.00
Altanta, Ga.	40.00
Baltimore, Md.	50.00
Bay City. Mich.	25.00
Beloit, Wis.	35.00
Bennett, Iowa	40.00
Berwick, Pa.	42.50
Birmingham, Ala.	55.00
Bloomington, Ill.	35.00
Boston, Mass.	55.00
Buffalo, N. Y.	35.00
Burlington, Iowa	37.50
Cedar Rapids, Iowa	40.00
Centerville, Iowa	40.00
Champaign, Ill.	35.00
Chattanooga, Tenn.	40.00
Cherokee, Iowa	40.00
Chicago, Ill., (via New Buffalo)	25.00
Chicago, Ill., (via Milwaukee Ferry)	30.00
Chillicothe, Ohio	30.00
Cincinnati, Ohio	30.00
Cleveland, Ohio	30.00
Clinton, Iowa	37.50
Columbus, Ohio	30.00
Concordia, Kan.	45.00
Council Bluffs, Iowa	40.00
Danville, Ill.	35.00

TO	In Dollars per Car
Davenport, Iowa	37.50
Dayton, Ohio	30.00
Deadwood, S. D.	45.00
Denver, Colo.	50.00
Des Moines, Iowa	40.00
Detroit, Mich	25.00
Dixon, Ill.	35.00
Dubuque, Iowa	37.50
Duluth, Minn.	45.00
East St. Louis, Ill.	37.50
Eaton, Ohio	30.00
Eau Claire, Wis.	35.00
Elmira, N. Y.	42.50
Erie, Pa.	35.00
Farmer City, Ill.	35.00
Findlay, Ohio	30.00
Fisher, Ill.	35.00
Fond du Lac, Wis.	35.00
Ft. Dodge, Iowa	40.00
Ft. Smith, Ark	45.00
Frankfort, Ind	30.00
Freeport, Ill	37 50
Galesburg, Ill	35.00
Gibson City, Ill.	35.00
Gloversville, N. Y.	42.50
Goodland, Ind.	30.00
Grand Forks, N. D.	45.00
Grand Island, Neb.	45.00
Grand Rapids, Mich.	25.00
Granville, N. Y.	55.00
Great Falls, Mont.	55.00
Greenville, Ohio	30.00
Hancock, Mich.	45.00
Hannaford, N. D.	45.00
Hartford, Conn.	55.00

TO	In Dollars per Car
Hartford, Ind.	30.00
Hastings, Neb.	50.00
Helena, Mont.	55.00
Herman, Mo.	40.00
Houghton, Mich.	45.00
Huntington, W. Va.	35.00
Huron, S. D.	45.00
Indianapolis, Ind.	30.00
Ironwood, Mich.	45.00
Jacksonville, Ill.	35.00
Johnstown, Pa.	40.00
Kansas City, Mo.	40.00
Keene, N. H.	55.00
Keokuk, Iowa	37.50
Knoxville, Tenn.	40.00
La Crosse, Wis.	40.00
La Salle, Ill.	35.00
Lincoln. Neb.	45.00
Little Rock, Ark.	40.00
Logansport, Ind.	30.00
Louisville, Ky.	30 00
Madison, Wis	35.00
Marinette, Wis	35 00
Marquette, Mich., (via Straits of Mackinac)	35.00
Memphis, Tenn.	40 00
Menominee, Mich	35.00
Milwaukee, Wis., (via Ferry)	25.00
Milwaukee, Wis., (Via Chicago)	30.00
Minneapolis, Minn.	40.00
Minot, N. D.	50.00
Mitchell, S. D.	45.00
Mobile, Ala.	55.00

TO	In Dollars per Car
Montgomery, Ala.	55.00
Nashville, Tenn.	40.00
New Orleans, La.	55.00
New York, N. Y.	50.00
Omaha, Neb.	40.00
Oshkosh Wis.	35.00
Peoria, Ill.	35.00
Philadelphia, Pa.	50.00
Pipeston, Minn	40.00
Pittsburg, Pa.	35.00
Pueblo, Colo.	50.00
Racine, Wis.	30.00
Saginaw, Mich	25.00
St. Joseph, Mo	40.00
St. Louis, Mo	37.50
St. Paul, Minn.	40.00
Sault Ste. Marie, Mich. (via Straits of Mackinac)	35.00
Sheboygan, Wis.	35.00
Shreveport, La.	55.00
Sioux City, Iowa	40.00
Sioux Falls, S. D.	45.00
Spokane, Wash.	60.00
Springfield, Ill.	35.00
Terre Haute, Ind.	30.00
Toledo, Ohio	25.00
Utica, N. Y.	42.50
Washington, D. C.	50.00
Waukesha, Wis.	35.00
Wausau, Wis.	35.00
Wichita, Kan.	45.00
Winona, Minn.	40.00
Zion City, Ill.	30.00

The cost of icing and re-icing shipments of berries amounting to 15,000 pounds and of other commodities amounting to 10,000 pounds, was formerly borne by the Pere Marquette Railroad. When that road, the most important fruit-carrier out of Michigan, came under Trust influences, it issued the circular reproduced here, announcing "icing charges" varying from $25 to $60. That is, it charges now from $25 to $60 for what it gave free of charge up to August 1, 1904.

Trust Rates to New York

Station	Distance	Rate per Car
From Arcadia, Fla.	1,304 miles,	$60.00
" Charleston, S. C.	748 "	57.00
" Wilmington, N. C.	597 "	60.00
" Bridgeville, Del.	194 "	52.50
" Chattanooga, Tenn.	894 "	64.00
" Plainville, Ga.	960 "	64.00
" Monette, Mo.	1,506 "	75.00

Rates to New York by Independent Lines

From Chautauqua, N. Y.	$10.00
" Laurel, Del.	15.00

Trust Rates to Chicago

From Fennville, Mich.	137 miles,	$25.00
" Decker, Ind.	247 "	45.00
" Gibson, Tenn.	522 "	84.00
" Van Buren, Ark.	537 "	55.00
" Long Beach, Miss.	1,005 "	45.00
" Citronelle, Ala.	825 "	45.00
" Arcadia, Fla.	1,320 "	80.00
" Bridgeville, Del.	876 "	72.00
" Chattanooga, Tenn.	644 "	57.50
" Macon, Ga.	709 "	62.50

Rates to Chicago by Independent Lines

From Chautauqua, N. Y.	550 miles,	$10.00
" New Orleans, La.	923 "	30.00
" North Yakima, Wash.	2,158 "	45.00

Trust Rates from Plainville, Ga.

Station	Distance	Rate per Car
To Cincinnati, O.	404 miles,	$52.50
" Detroit, Mich.	667 "	57.50
" New York City	907 "	62.50
" Buffalo, N. Y.	850 "	65.00
" Boston	1,148 "	70.00
" Chicago	709 "	57.50
" Indianapolis, Ind.	528 "	57.50
" Washington, D. C.	680 "	62.50
" Louisville, Ky.	338 "	52.50
" Toledo, O.	614 "	57.50
" New Orleans	830 "	62.50
" Columbus, O.	529 "	57.50

Before the Trust made its exclusive contract with the Louisville & Nashville Railroad, the "icing charge" from the great vegetable-growing regions in Mississippi and Alabama, places like Gulfport, Long Beach, Miss., and Theodore, Ala., was $27 to Cincinnati. As soon as the exclusive contract was made the rate was raised to $60 and then to $75.

Railroads using their own refrigerator cars charge $5 for icing from Rochester or Western New York points to Cincinnati. For the same distance and the same length of time the Trust charges $35.

John Leverone, of Cincinnati, received in the summer of 1903 twenty-four car-loads of pineapples from Cuba. Ten cars came by the Illinois Central via New Orleans, with "icing charges" of

$11.37 a car. Fourteen cars were Trust cars via the Louisville & Nashville and Mobile; "icing charges" $45 a car. New Orleans is 100 miles farther than Mobile from Cincinnati. Mr. Leverone refused to pay the excessive rate charged by the Trust, whereupon he was threatened with ruin and the loss of his credit. The Trust was a competitor of his in selling pineapples in Cincinnati. Naturally it was able to undersell him, and it presented to him the prospect of the total loss of his trade.

This brings me to one of the worst features of the matter. The Trust arrangement with the railroads provides that the Trust shall be notified of every car of fruit or vegetables that is shipped anywhere in the country, the date and destination. The Trust, as I have said, is heavily engaged on its own account in the trade in these products. It has countless car-loads of them constantly in transit or on its branch-house side-tracks. Suppose it gets the report that a car-load of grapes has been shipped to Newark, N. J. It has a car-load of its own at Trenton. It telegraphs its agent at Trenton to transfer the car to Newark. By the time the car of the competitor reaches Newark the market is glutted and the grapes rot in a warehouse. There was a famous case of this kind at Buffalo where the Trust, fighting for control of the local fruit-market, forestalled every shipment made to its competitors, and to glut the market went about the city peddling its goods. These manœuvres naturally

put competitors everywhere at a hopeless disadvantage. It is impossible to contend against a rival that knows in advance every move you will make, and is able to nullify it.

In Boston once I noticed a curious little illustration of the way this thing works and also of the power the Trust wields over the railroad companies. The Armour agent in Boston got word of an intended shipment of potatoes to Woburn, where there happened to be a good market. He had a shipment of potatoes coming in from the West, and he applied to the Boston & Maine Railroad to transfer this shipment without charge from Boston to Woburn. Mr. Donovan, the freight-traffic manager of the Boston & Maine, declined on the ground that it was absolutely against the strictest rules of his company to do it for anybody. Finding him immovable, the agent wired the situation to the Armour headquarters in Chicago. That afternoon Mr. Donovan called the agent on the telephone and humbly announced that it would give him great pleasure to transfer those potatoes to Woburn and without charge. When would the agent like to have it done? The Trust had merely lifted a finger and the whole Boston & Maine organization was in a panic. But what chance has a competitor against such a tremendous power as that? And what chance has the public?

Until January 1, 1905, the Trust owned the icing-plant at Jersey City, and the re-icing of every

refrigerator car that passed was in the Trust's hands. Knowing exactly what cars were shipped by any competitor, it was able to omit ice from such cars and injure or ruin their contents. I know of one instance where it played this pleasing game on a competitor and was subsequently forced to pay the entire value of the shipment. But that was where the omission was detected and proved. Nobody knows how often the practice has failed of detection, and practically every refrigerator car that goes through Jersey City bound East or North must be re-iced there. These interesting facts were developed at the Inter-State Commerce hearing in Chicago. They seemed likely to make people mad. A representative of the Trust hastened from the hearing and speedily effected the sale, real or nominal, of the icing-plant to the Pennsylvania Railroad. Now there is a mystery as to just who does the icing at Jersey City, but the Trust representatives are able to swear smugly that the Trust at least does not own the plant.

Some of these things have a sweet tinge of humor—for the cynical. At an Inter-State Commerce Commission hearing in June, 1904, some effort was made to show the extent to which Armour & Co. had monopolized the produce trade in certain regions. To this a Trust agent, with much virtuous indignation, declared that Armour & Co. were not engaged in buying produce or fruit—except a few apples, he said, which they needed in

their mince-meat. The Commission accordingly exonerated Armour & Co. from the charge.

But the produce sales of Armour & Co. at thirty-five small branch houses in New England towns amounted to $250,000 in 1904. And in August the firm sent out a circular (which I have seen) announcing that owing to the unfavorable comment aroused it had decided to withdraw from the produce business. So it withdrew. But thereupon Swift & Co. took up the produce business that Armour & Co. dropped.

"Gentlemen," says the bland operator at the country fair, "there is no deception here. If the little pea is not under one shell it is under the other."

CHAPTER VI

THE HUGE BLIGHT OF A GREEDY MONOPOLY

AS I come to darker chapters in the history of the Beef Trust, it seems fair to say that these papers have no object except to show what are the practical results to humanity of certain systems and ideals of business success that we in this country have tolerated and even cherished. The men that control the Beef Trust are not different from other men; the painful fact is, that their methods are not particularly different from other men's methods. They have merely followed to its logical conclusion the idea of the survival of the fittest, the right of the strong to annihilate the weak, the theory that in business any advantage is fair—the accepted creed of inordinate gain. By the aid of illegal rebates they have built up a gigantic monopoly; but their distinctive offence in this respect has been only in its extent. We may as well face the plain truth, that if all the men that have taken or have tried to secure illegal rebates were to be imprisoned, some of our business streets would look lonely indeed.

We shall see here that up to the worshipped throne of our national deity of Success the trail of this evil thing lies through crime and lawlessness, through the monstrous losses of great populations, through business depression, cruel suffering, ruined lives, embezzlements, and suicides. It should not blind us to the fact that the system—not the individual—is essentially at fault. Engaged in managing this oppression are men that are models of business integrity, energy, application, diligence, and all other commercial virtues; so careful of their walk that they would scorn the slightest departure from their own standard of rectitude, so generous that they would not hear of any case of distress without trying to relieve it. In one of the Trust families are four young men, conspicuous examples of clean, wholesome, serious-minded American manhood; inheriting great wealth and yielding to no ordinary temptations of it. Here is no attack except on the system for which all of us are morally responsible with those that most benefit from it—the system and the standard of morality that holds it laudable to pile up great fortunes, by whatsoever means acquired. I am trying merely to show what this thing really is that we all have admired, clergymen have eulogized, and our young men have been inspired to seek.

The produce and commission trades of the country, as we saw in the last chapters, face practical extinction through the operations of the Trust's

Private-Car monopoly. We come now to a class of men that have experienced to their ruin the full significance of Trust supremacy.

Here we begin again with Gustavus Swift and his refrigerator car. When that marvellous man demonstrated the feasibility of transporting dressed beef, he thrust a lever under, and overturned, the whole country's methods of food-supply. No change that followed was so great as the vast revolution in the cattle industry. As Chicago, and subsequently Kansas City and Omaha, became the nation's slaughter-houses, and as the business of shipping cattle on the hoof across the continent relatively declined, a great industry began in feeding and fattening cattle for the slaughtering centres. This was a natural and economical development. Formerly the corn to feed local cattle had been carried from Western farms to the East; now on the farms where it had grown it was fed to cattle that were slaughtered not far away, and only the net result in dressed meat must needs be transported. The change was beneficent, but it transformed Western farming. As a rule, in the great fertile basin between Indiana and Colorado the farmer ceased to be dependent on the corn-market and centred his attention on cattle. In the very heart of the corn belt even were communities that once had lived by the selling of corn and now became corn-buyers.

Particularly in the region west of the Missis-

sippi and east of the Nebraska plains the business was not cattle-raising but cattle-feeding. I must explain here, that to produce beef that will stand refrigerating and long carrying, cattle must be fed on food that contains certain flesh-making elements. Ordinary grass, growing in a country with much rainfall, does not contain these elements. In some parts of the country, depending on altitude and summer dryness, there grows what is called "short grass," which has all the required nutrition. But the supply of "short-grass" cattle is not sufficient, it does not last all the year, and it is growing smaller as the ranges are contracted by settlers. The only other food that will make the quality of beef requisite for refrigeration purposes is corn. Hence, in the great Corn Belt of the West (Missouri, Iowa, southern Minnesota, South Dakota, eastern Nebraska, eastern Kansas) the practice came to be this: The farmer bought from the Western ranges, in western Nebraska and Colorado, range-cattle that had been matured on common grass, took them to his farm, and fed them on corn for six or eight months.* This is called "finishing" them. When they had been sufficiently "finished" on corn they were shipped to Chicago,

* This used to be the period before the Trust perfected its system. At present most feeders have been driven by the low price of cattle to take chances on a shorter period of feeding. Many of the cattle that come into Chicago these days have not been fed more than 100 days. This is an injury to the quality of beef, but the temptation to it is certain so long as the market is arbitrarily controlled.

Omaha, Kansas City, St. Joseph, or St. Louis, to be slaughtered.

But this practice required capital. The farmer must buy the range-cattle and pay for shipping them to his farm. However thrifty and successful he might be, he seldom had enough ready money to enable him to engage unaided in these operations. Consequently in almost every case he became a borrower at his local bank, and the bank carried his loan until he effected the sale of his fattened cattle. Therefore a great business grew up for the country bank.

So long as there was a free, unimpeded, and unmanipulated cattle-market, both parties to these transactions went their ways rejoicing. The farmer found that selling his corn turned into cattle-fat was far more remunerative than selling it to the elevator; the bank lent much money at fair rates and on good legitimate security.

But the evolution that we have seen slowly bringing the produce trade under one control worked here as inexorably and to the same result. The four great packing-houses waxed apace in the fierce competitive strife, until they overshadowed and at last absorbed their competitors. Then as they drew together into the gentlemen's agreement and next into the Trust, the farmer, like the produce-dealer, found that he paid the price of the gentlemen's harmony. Instead of selling his cattle in the market, they were practically confiscated

at a price arbitrarily fixed for him, at a price he had nothing to do with, at a price that actual market conditions did not govern.

For the first step of the Trust was to abolish competitive buying.

Naturally. There was no longer any reason for competition. All the great plants being in reality though not in name under one management, all were assured of all the supply the country produced.

The huge disaster that this caused will not be understood unless we remember that in most cases the cattle the farmer sold were not of his raising. He had purchased them from the ranges for cash; they represented a definite outlay to which the arbitrary price he received bore no relation; they were an investment on which he was paying interest, the failure of which might mean ruin.

Take the case of one of these farmers of Nebraska or Kansas, the type of a sturdy, intelligent, patriotic American citizenship. As a young man he had begun life on the prairies, mortgaging his land to make a home, he and his wife toiling years to get a foothold. Most of his days, it must be admitted, had fallen on evil fortune. He had seen the grasshoppers eat every green thing to the twigs and bare stalks. He had seen the hot winds wilt his broad corn-leaves in a day and a night, floods destroy the fruits of his labors, blizzards freeze his stock, and droughts dry up his wells and streams.

Year after year the profits of his farming had been absorbed by extortionate railroad charges. The world wanted his products, but between him and the world stood the railroad and the middleman, taking what he earned and leaving him with the interest on his mortgage yet to pay. When his corn-fields yielded well, the price of corn was so low that in winter he burned it for fuel; it was cheaper than the coal the railroad companies furnished. When the prices were remunerative, his crops had failed.

But cattle-feeding came in—and brought at last the long-hoped-for opportunity. Here was a crop the elevators and the railroads could not gouge from him; for this was consumption near at hand, steady and dependable. He could calculate this with certainty. The range-cattle cost so much, to feed them six months would cost so much, in Kansas City or Omaha they would bring about so much.

So he went into cattle-feeding. He built sheds and borrowed money at his bank and bought cattle and made profits. And at last he lifted that old mortgage that had been a load and blight upon him the best part of his life. For the first time he tasted prosperity—and the savor was novel and sweet.

For six or seven years the goodness of the harvest endured for him, and then he began to notice a change. It was in 1901 and thereafter that he

first thought of it. He had been wont, when he took his cattle to Kansas City or Chicago, to stand by the pen and chaffer with one after another of a horde of buyers. If one did not offer enough, another would; if his cattle were of unusual quality, well fed, and stout, the export buyers would always carry the price far above the packing-house buyers. And now he discovered that the buyers had strangely disappeared. There was no more bidding. He stood by his pen from seven o'clock until noon and there was only one offer. The representative for Armour would come along and indifferently throw a price at his head, and it was always low. If he met the buyers for Swift or Morris or the National Packing Company, their offer was always exactly the same as Armour's had been, exactly the same. The export buyers had dwindled away—two or three houses and they not eager to buy. One man made the entire market.

If the farmer refused to accept the one bid he received, and held the cattle, feeding them at heavy cost, the next day the same farce was repeated—except that now the one offer was less by five cents a hundredweight. Overnight his cattle had become "stale." If he held them over another day, the mysteriously made price was again reduced five cents; and so on. He could sell at the price made for him or he could take his cattle home.

And if he sold, he could stand and watch his cattle driven up the different driveways to the

different plants. The representative of one house had bidden for them; all the houses shared them. The game was too palpable. This was why there was no competitive bidding. One man really bought for all.

As often as he returned to market there was the same experience for him. The prices that were flung at him were uniformly lower than he had reasonably calculated upon, lower than the relative price of range-cattle, often lower than the actual cost involved. He knew well enough that nothing in the condition of the market warranted the decline. Supplies of native cattle were larger, but supplies of Texas cattle had fallen off, and the demand was not smaller, but much larger; the sales of dressed meat had steadily increased. His cattle were not poorer; the market was not glutted.

Corn was higher, meat was higher, cattle were lower.

Gradually he perceived that in these abnormalities he was facing a settled condition of which the real explanation was a definite control of the market by a lawless, arbitrary, and irresponsible power. At first the thing seemed impossible. There were so many cattle-raisers, the industry was so scattered and so enormous, that to control it seemed a delirious dream. And yet repeated tests showed that the control was an indubitable and demonstrated fact.

The bid of one firm was the bid of all firms. One market was all markets.

The change was great. The profit dropped away from cattle-feeding. Often the farmer could not well abandon it; the system of crop rotation (corn, grass, oats) necessitated cattle, more or less, but now they made no money for him; now he fed them at a loss.

Moreover, he was between the mill-stones.

His bank held his note for the money he had borrowed to buy the cattle with. The money he received when he came to sell the fattened product was not enough to pay the face of the note, let alone interest. Very often it was far from enough. Very often his returns did not equal the first cost of the range-cattle, without considering freight and feeding.

You will understand that the business had become enormous, that in great areas of the Middle West practically every farmer had become a cattle-fattener; that millions of capital had been invested in it, that the livelihood of millions of people largely depended upon it. And here was the entire industry at the mercy of four buyers, only one of whom bid, and that one at prices that meant ruin to the producer.

From July, 1903, to July, 1904, the average loss on every head of cattle fattened and sold in the Middle West was $8. Of course, there could be but one result: the farmer, the real supporter of a

large part of the Middle West, became straitened in his money affairs to the general ill-fortune of his neighborhood, and in many regions the farm mortgage, that blighting emblem of wrong conditions, returned to an evil eminence from which it had once been banished.

The farmer's broad, patient back bore the losses, the collapse of his hopes, and even the mortgage, just as it had borne many other such loads; but involved in the catastrophe were two factors not equally adapted to load-carrying. One was the country bank, the other the cattle-shipper.

What followed, and what all this meant to widespread interests and great populations, we shall see if we take two States, Iowa and South Dakota, as examples.

Iowa is the great cattle-feeding State of the Union. One-half of the beef-cattle receipts at all the Trust slaughter-houses come from Iowa.

South Dakota is heavily interested in both branches of the industry. In the eastern part the farmers are cattle-feeders, in the western part are the greatest "short-grass" ranges now left in the country.

Both States are very wealthy, very fertile, settled by the thrifty and the industrious. If the cattle industry could anywhere endure the new conditions it would be in these States.

The total losses of the cattle-feeders in Iowa in 1904 are computed at $12,500,000. In 1903 and

1904 forty banks in Iowa failed, closed their doors, or went out of business, and at least seven bank officers committed suicide. Even in time of national business depression and panic there has been no such record as this.

Here is a type of many cases:

In the southern centre of Iowa, the counties of Ringgold, Page, and Union, is a beautiful and immensely fertile tract called the "blue-grass region." There the farmers went extensively into cattle-feeding, and there cattle buying and shipping became the supporting industries of the railroad towns.

Unless you are familiar with such towns you can have no idea how business and life in them depend upon the prosperity of the neighboring farmers. While cattle-feeding was profitable the towns grew and thrived.

Now the shippers as well as the farmers were obliged in this business to borrow money at the local banks. When at the end of 1902 the Trust fully possessed the cattle-market and so hammered it down that shipments ceased to be profitable, the enormous losses fell upon shipper as well as farmer. But the shipper had no recourse to the farm mortgage; he was pinned against the wall. Consequently he went into bankruptcy.

Whereupon the local bank found itself in a vise. The farmers could not pay their notes, the shippers were ruined.

At Mt. Ayr, the seat of Ringgold County, the president and chief owner of the Citizens' Bank was Mr. Day Dunning. The common verdict in Mt. Ayr is that Mr. Dunning was a most estimable citizen, conscientious, public-spirited, of blameless life, an eminently respectable figure in the community. He had lived in Mt. Ayr from boyhood; he had reared there a large family. He was prominent in the church and in good works. For years Mr. Dunning's bank lent much money to farmers and to cattle-shippers. There was no reason why it should not make such loans: no business was more legitimate or more open. The daily market quotations and reports showed with trustworthy details just what were the trade conditions. Five or six firms in Mt. Ayr were heavily engaged in cattle-shipping. When the grip of the Trust closed upon the market and prices were fixed by an arbitrary, intangible power, these firms were driven rapidly down the road to ruin. They kept on shipping in the hope that conditions would mend. The bank kept on advancing money to them in the same anxious hope. Conditions grew worse instead of better, a great many farmers' notes had to be extended, the losses in the cattle business piled up, it became evident to those on the inside that a wreck was at hand. It appears that Dunning did what many other tempted men have done in the like straits: Hard beset, and straining frantically in every direction to get money to tide him over, he

accepted deposits after he knew the fall of the bank was imminent. A few days of hot struggle and the thing went down with a crash. There were almost $500,000 of liabilities, and for assets a pile of worthless notes for money lent in the cattle business, the relics of a prosperous business garroted by arbitrary interference with natural conditions of supply and demand. In February of this year Dunning was put on trial for the crime of receiving, in the way I have indicated, illegal deposits. He was found guilty, and the long career of which his townsmen had been proud ended in utter ruin.

We shall see later that he was one of the least sombre of the figures in the business tragedy the Beef Trust played in Iowa. I cite his case merely to give a working knowledge of the play.

As for South Dakota, I call attention to the 1904 number of the annual review of the progress of the State, issued by the South Dakota Historical Society, wherein will be found this startling statement:

"The machination of the Beef Trust almost destroyed the flourishing live-stock industry of South Dakota."

That is the summary for 1904. It is not an exaggerated nor partisan statement, but merely the cold record of a historical fact.

Here I must digress a little. That part of

South Dakota lying between the Missouri River and the Black Hills, about 11,000,000 acres, is the "short-grass" region I have before mentioned. In it is some of the best grazing-land in the United States for high grades of range-cattle. From this region grass-fed cattle can be sent directly to the slaughter-houses, and as there are not many settlers, the movements of herds are unimpeded by fields and fences.

For many years the cattle industry here was uniformly profitable. Not abnormally profitable, but enough. In the last two years the returns have declined to such an extent that the discouraged cattlemen are going out of business. The reason will be seen in the experience of Harris Franklin, of Deadwood.

In September, 1904, Mr. Franklin made a large shipment to Omaha of choice stock. When his cattle were exhibited in the Omaha yards he was astonished to find that he received but one bid for them, and that so low that its acceptance left him with a loss. Finding this condition inexorable and protests useless, he reshipped his cattle from Omaha to Chicago. When they were put on view at the Chicago Stock-Yards he found that he had had his labor for his pains.

There was only one bid at Chicago, and that was at precisely the figures offered to him in Omaha.

He had the choice grown painfully familiar to

the cattle-feeders: he could take what was offered to him or ship his cattle home.

He took the price, pocketed his loss, returned to South Dakota, sold his herds for what he could get, and retired from the business.

Other stockmen are following the same course. The town of Belle Fourche, in the northwestern part of the State, has long been one of the greatest primary stock-shipping places in the country. The 3,500 square miles of Butte County, of which Belle Fourche is the seat, are chiefly grazing-lands, and, besides, there are shipped hence annually thousands of cattle from other counties. In the last year shipments have been large, but the arbitrarily fixed and ruinous prices have, in almost every case, entailed a loss.

This has to do with grass-fed cattle. In the eastern part of the State the farmers have been much engaged in fattening cattle on corn. They have carried the other end of the losses.

Mr. Doane Robinson, secretary of the Historical Society, has estimated the losses, in 1904, to South Dakota cattlemen at $10,000,000.

In Iowa, $12,500,000; in South Dakota, $10,000,000; and wherever in the Middle West cattle were sent to market, an average loss of $8 a head.

Something of the reason for this, something of the story of a manipulated market, can be gleaned from the following table of Chicago cattle prices,

compiled by Mr. James E. Poole, of the *Breeders' Gazette:*

Average Prices by the Hundredweight at Chicago for Native Cattle Weighing 1,200 to 1,500 Pounds

	1904	1903	1902	1901	1900	1899
January	$4.90	$5.20	$6.20	$5.10	$5.40	$5.35
February	5.00	4.85	6.05	5.10	4.95	5.20
March	4.95	4.75	6.20	5.15	5.00	5.10
April	4.80	4.95	6.80	5.35	5.10	5.05
May	5.05	4.75	7.00	5.40	5.20	5.20
June	5.70	4.90	7.45	5.70	5.30	5.25
July	5.75	5.00	7.90	5.35	5.35	5.50
August	5.35	5.20	7.85	5.30	5.55	5.80
September	5.40	5.10	7.45	5.75	5.50	5.90
October	5.50	5.00	7.10	5.70	5.40	5.85
November	5.50	4.85	5.80	5.70	5.35	5.80
December	5.40	4.65	5.30	5.90	5.20	5.95
Year	5.25	4.90	6.75	5.45	5.30	5.50

But two things must be borne in mind. First, these tables indicate only that while the dressed-meat industry was supplying a steadily increasing demand and at enhanced prices, the general trend of the cattle-market was downward. And, second, that cattle are not officially inspected and graded as grain is inspected and graded. If a farmer ships No. 2 wheat, he knows what he will get for it; if he ships cattle, one buyer for the four Trust houses does the inspecting and grading, and that is his way of forcing down prices. The most significant sta-

tistics are found in the annual report of the Chicago Union Stock-Yards for 1904. These show that the total valuation of the cattle received at the yard in that year decreased by $4,860,645 from the preceding year, while the receipts of native cattle were the largest since 1890.

CHAPTER VII

NOTCHES ON A TRUST'S KNIFE-HANDLE

THE whole system of a controlled and manipulated market is utterly wrong. It is a violation of natural laws, and, like every such violation, it drags after it vast evils involving those in no way to blame for the lawlessness. Nothing could show more plainly what followed such abnormal (and in this case criminal) interference than the record of the bank failures in Iowa that followed the Beef Trust's seizing of the cattle-market. I have here a list of such failures in 1903 and 1904, obligingly compiled for these papers by the banking department of the State Auditor's office at Des Moines. It is not quite complete, because the banking department has no supervision of national nor of private banks. Included as failures are banks that were forced permanently to close their doors or to enter liquidation:

St. Charles	Citizens' Bank.
Victor	Iowa County Bank.
Mt. Ayr	Citizens' Bank.
Sigourney	Sigourney Savings-Bank.
Holstein	F. H. M'Cutcheon & Co.'s Bank.

Corning	Corning State Savings-Bank.
Pella	People's Savings-Bank.
Coin	Bank of Coin.
Garden Grove	Farmers' Bank.
Maquoketa	Exchange Bank.
Pleasanton	Royal Richardson & Co.'s Bank.
Dixon	Bank of Dixon.
New Liberty	New Liberty Savings-Bank.
Imogene	Citizens' Bank.
Birmingham	E. H. Skinner & Co.'s Bank.
Olin	Bank of Olin.
Buck Grove	H. S. Green's Bank.
Dow City	H. S. Green's Bank.
Waverly	German-American Loan & Trust Co.
Curlew	Bank of Curlew.
Gaza	Bank of Gaza.
Little Sioux	Little Sioux Bank.
Tiffin	Corn Exchange Bank.
Emerson	Farmers' Bank.
Sheldon	Sheldon State Bank.
Ireton	Bank of Ireton.
Ireton	F. H. M'Keever's Bank.
Germania	State Bank.
Colfax	Bank of Colfax.
Royal	Bank of Royal.
Providence	O. E. Miller & Son's Bank.
Linn Grove	H. W. Main's Bank.

In addition, there were failures of national banks at Grinnell, Storm Lake, and Le Mars, other failures at Maquoketa and Lineville, and embezzlements by bank officers at Iowa Falls and Wapello.

These troubles had no explanation in the general condition of business in Iowa; that condition is and has been good in every respect except in re-

gard to the cattle industry. They had no explanation in any laxity of banking methods. I am told that the banking institutions of Iowa, for wise and conservative management, stand as high as any in the country. One city in Iowa has the largest per capita bank deposits of all the cities of America. There is, of course, a certain small leaven of individual cases in these records in which speculation was a factor. One bank was ruined by its cashier's dealings in Chicago grain-options, one by an unlucky loan on a theatre, and one by embezzlement. But the main fact remains clear enough, that in a time of general prosperity and conservative policies the manipulation of the cattle-market produced a disaster of incalculable proportions, without precedent even in times of general depression.

To one of these small bustling Western towns the failure of the local bank is the greatest of all calamities. For damage wrought by cyclone or fire, the energy and pluck of the people find a speedy remedy; but the failure of the bank strikes at the nerve-centre. The merchants hold the banks' stock; the bank holds the merchants' deposits. Their prosperity, their capital, often all they have in the world, hangs upon its security. I have seen a town, struck by a bank failure, shrivel away like burned paper, and men turn old in a day or go mad. Large communities where business is diversified and banks are numerous can have no conception of what these catastrophes sometimes mean on the prairies.

In the failure at Holstein the Fraternity of Modern Woodmen lost $100,000. At Sheldon the collapse involved hundreds of unsuspecting depositors. At Iowa Falls and Wapello, bank officers were sentenced to penal servitude. At Coin, the head of the wrecked bank is under indictment for yielding to the temptation that swept down Dunning at Mt. Ayr. At Pleasanton, a thriving, industrious town was grievously injured. At Colfax men think that the town will hardly in ten years recover from the effects of the failure. The fall of a national bank at Storm Lake pulled down a private bank at Linn Grove. The failure of the two banks caused losses to depositors of more than $100,000. At Pella the bank did not really fail; it closed its doors and the stockholders and the cashier of the unfortunate institution have succeeded by heroic efforts in paying off $105,000 of the depositors' liabilities. At Sigourney the depositors in the savings-bank were paid in full, but the stockholders lost all their investment. At Dow City and Buck Grove the falling cattle-market ruined H. S. Green and destroyed two banks. And so on down the list.

In the Colfax case the cashier, George D. Wood, was one of the pillars of the community. Men looked upon him as the soul of integrity; he was the wealthiest, most active, and most respected citizen. It was a common remark among them that they would trust George Wood with anything and

everything. The bank was his life and soul: he had built its prosperity. It had lent much to cattle-feeders and shippers and by mortgages on cattle. When the rumors came at the close of 1903 that the bank had lost heavily, and Mr. Wood assured his fellow-townsmen that the bank was all right, they believed Wood against the evidence of the market and maintained their deposits. On the evening of December 18, 1903, two prominent business men of Colfax called at Mr. Wood's house and discussed with him the situation created by the stories of trouble in the bank. Mr. Wood told them the stories were unfounded. After a time he arose and said in a quiet, offhand way:

"Will you excuse me for a moment, gentlemen?"

Then he walked deliberately up-stairs and killed himself. When the affairs of the bank were examined it was found to be ruined. The receiver sold at auction mortgage and other securities of a face value of more than $100,000 and received for them $631. Three business firms in Colfax were carried down with the wreck. More than half the firms in the town had deposited in the bank and lost all their deposits.

At St. Charles, the cashier and principal stockholder in the Citizens' Bank was Charles Wood. He had directed the loaning of large sums to farmers to be used in buying and feeding cattle. When losses instead of profits began to be the rule in the

cattle business many of the farmers were unable to meet their notes. The bank had been a sound, conservative institution. It became hopelessly entangled in the cattle-feeders' troubles, went to wreck, and on February 11, 1904, Mr. Wood shot himself.

At Corning, F. L. LaRue, cashier of the State Bank of Corning, found that many of the loans he had made to farmers could not be collected. He was short in his accounts. The bank failed. LaRue killed himself on January 27, 1904.

At Sigourney, G. O. Utterbach, cashier of the Keokuk County Savings-Bank, of which his father was president, shot himself on January 8, 1904, when the bank failed. He was short in his accounts, because of speculation.

At Lone Tree, J. H. Bowman, cashier of the bank of Lone Tree, shot himself on February 18, 1903, but the bank did not fail.

In the case of the failure of the Bank of Linn Grove, previously mentioned, the trouble at Storm Lake was caused by the shrinkage of value of the loans and mortgages the bank had made on cattle. The Storm Lake Bank pulled the other down. H. W. Main was cashier at Linn Grove, and was also connected with the Storm Lake Bank. When the collapse occurred in March, 1904, Main killed himself.

The strangest case was at Grinnell, where was unfolded one of those tragedies that reach down

to the elements of things. H. C. Spencer was cashier of the Grinnell National Bank, a post he had filled competently and with credit to himself; the bank and its cashier stood exceedingly well in the community. Mr. Spencer's son, H. C. Spencer, Jr., was assistant cashier. On the evening of July 20, 1904, father and son were at Arbor Lake, not far from Grinnell. They took a naphtha launch and steered out toward the middle of the lake. No one else was with them. There was still light enough for people on shore to see what happened. Of a sudden the son was seen to arise, take off his coat, and cast himself overboard. His father immediately followed. The father gained the shore (the lake is small), looked back, and saw his son disappearing in the water. Then the father plunged back, and both were drowned.

At first these events were believed to be melancholy and inexplicable accidents. The bodies of father and son were brought to a stricken home; Grinnell was plunged in sympathetic mourning. On the day of the funeral the bank was closed as a mark of respect to a man held in general esteem. The next day the community was startled to find that the doors remained closed. They have remained closed ever since. Examination of the bank's affairs showed that the cashier was short in his accounts and had been short all the time he had held the office. Twelve years before, his father, C. H. Spencer, whom he succeeded as cashier, had

been found dead. It was now learned he had left a defalcation that the son had labored twelve years to conceal by constantly falsifying the statements of the bank's condition, and by manufacturing forged notes and securities to deceive the bank examiners. About $10,000 worth of these forged notes was found.

The grandson knew of the family inheritance of trouble. He seemed always oppressed by a profound melancholy, shunned society, and lived the life of a recluse.

The shortage itself was not large. It could never have embarrassed the bank. But in the disastrous state toward which the bank was drifting, the real condition of affairs could not have been concealed much longer. And exposure meant ruin.

There were $332,000 deposits, which the stockholders, merchants, and leading men of Grinnell will make good. The bank is in the hands of a receiver. The town, one of the most progressive in the West, a thrifty, handsome place, the seat of Iowa College, will survive the disaster as it survived the great Grinnell cyclone of 1882. But the blow is as hard as undeserved.

And is this the full tale of the evil done to the producing industries of the West? Good sir, it is no more than a sample. The ruined stockmen and looted farmers, the bankruptcies that run into the thousands, the suicides, the wrecked families, the unhappy homes, make up a sum of iniquity destruc-

tive to any optimism. The reign of this Power has been a reign of ruin and death. It is not my business here to be an advocate; I am not arguing for nor against anything. But take such a case as the Wood suicide at Colfax. A wife and two daughters were left. I appeal to the sober moral sense of whoever honors me with his attention: Is all the money that will this year be wrung from the public by this lawless and insatiable combination worth the incurable pain it has caused under just one roof?

. . . . . .

The conclusion that the banking troubles in Iowa have been caused by the Beef Trust has had the indorsement of Senator Lewis, of Page County, member of the Iowa Senate's Banking Committee and himself a prominent banker. But, indeed, no indorsing word is needed; the ascertained facts speak for themselves. Eliminating every instance in which were other causes, there still remains, clear and indisputable, the appalling price the people of Iowa and the West have had to pay for profits of the agreeing gentlemen and the curse of a manipulated market.

The general aim of that manipulation is simple enough, but its details and its applications are complex and various. In spite of whitewashing reports and convenient disguises, three observations will occur to anyone who studies conditions with the single purpose of arriving at the truth:

1. The Trust intends to get its cattle, hog, and sheep supplies at low prices. But it must take care that prices are not made so low as to curtail production. It therefore steers a carefully thought-out course, and whenever discouragement seems likely to become epidemic among the producers it lifts the price. This, as is perfectly well known at the Chicago Stock-Yards, is the reason why prices were advanced a little in 1904. The producers' complaints had grown too bitter and too general to be ignored.

2. The Trust aims to maintain the stock-producing region in the condition of a reservoir from which it can draw supplies as it needs them. Thus whenever it desires a large supply, it advances for a few days the prices of the animals it needs. A flood of them comes in, whereupon prices are lowered below their original mark and the needed purchases made. This ingenious device is now so well known at the yards that it no longer excites astonishment there. "At it again," is the familiar comment as the prices run up and down. At this writing (March, 1905), the cellars of all the Trust packing-houses are filled with pork products made from purchases in a market wherein values had been "jimmied" up and down. These products are held for an advance in the provision-market. When that harvest is ripe, there will be a margin between the original cost of the material and the selling price of the product that will put goodly profits into the

Trust treasury. And it is partly for the sake of such gains that the manipulating system has been perfected.

3. Because of these complicated influences tables and averages do not reveal much. The average price of cattle may be higher in March than in February, and yet, owing to the hocus-pocus of the market, the farmer may have really a more substantial injury. If, for instance, prices are made very high on a day when the receipts are small and purchases few, and then are abnormally depressed when the farmer has something to sell, it is evident that the reassuring report just made by Mr. Garfield, to the effect that there is no Trust, will not go far with the plundered victim. The Commissioner of Corporations may repeat and repeat the easy platitudes of the Trust attorneys; he will not refute the testimony of men who have seen their confiscated cattle shared among the packing-houses as highwaymen share their booty.

To understand the full measure of these abnormal conditions, bear in mind that while we have here paid most heed to cattle interests, what is true of the cattle-market is equally true of the hog-market and of the sheep-market. The price of every hog sold in the West is dictated by the Trust. We say these things easily enough; it is hard for the uninitiated to grasp what they mean to the men engaged in such a vast industry as hog-raising. Corn, cattle, and hogs are the wealth of the West.

The annual receipts of hogs at Chicago are more than 7,000,000; at Kansas City, more than 2,000,000; at St. Louis, about 2,000,000; at Omahȧ, more than 2,000,000; at St. Joseph, 1,500,000; at Sioux City, 1,000,000; at St. Paul, a little less than 1,000,000. Nearly 75,000 hogs have been received at Chicago in one day. Consider, then, what it must mean to innumerable interests when these products may not be sold by the ordinary market methods, subject to supply and demand, but only at the pleasure of organized greed.

The real significance of the following table is that the prices of hogs have been put up and down to suit the convenience of the packers, and that the general tendency is downward:

Average Prices at Chicago for Hogs by the Hundredweight

	1904	1903	1902	1901	1900	1899
January	$4.85	$6.55	$6.20	$5.22	$4.55	$3.65
February	5.05	6.95	6.12	5.40	4.90	4.00
March	5.30	7.32	6.35	5.77	5.00	3.90
April	5.05	7.21	6.92	5.94	5.55	3.90
May	4.65	6.40	7.10	5.78	5.30	4.35
June	5.05	6.02	7.33	5.95	5.20	4.10
July	5.35	5.45	7.60	5.89	5.25	3.95
August	5.30	5.42	7.20	5.89	5.20	3.90
September	5.70	5.72	7.50	6.63	5.25	3.85
October	5.40	5.65	7.05	6.10	5.80	3.70
November	4.75	4.70	6.35	5.72	4.80	3.45
December	4.60	4.50	6.20	6.13	4.75	3.40
Year	5.10	6.00	6.85	5.85	5.05	3.85

I will show by a concrete example the workings of what I may call the Reservoir and Pump System of Trust Operations:

On Monday, February 6, 1905, the Chicago receipts of hogs were light, 33,000 as against 56,000 on the previous Saturday. This afforded the exact situation that best suits the Trust managers. They can make prices as they please, and they put up the price of hogs twenty-five cents a hundredweight. As the offerings were light their purchases at the high figure were few. As soon as the advanced price had been widely telegraphed (and the cunning supervision of market quotations has been reduced by the Trust to an absolute science), a great rush of hogs was started from all directions. On Wednesday they arrived. Immediately the Trust put the price down to fifteen cents lower than Monday's opening figures, and at this rate bought immense droves, with which they proceeded to fill their cellars.

The conditions I have described in Iowa and South Dakota obtain in all the Western States; not always to the same extent, for Iowa has been the heaviest investor, but the same general rule holds good everywhere. On the agricultural interests of the whole upper Mississippi basin the Beef Trust has been like a huge disease.

Take Nebraska. A ranchman just returned from a trip through the cattle country there tells me he found hundreds of cattlemen whom a few

years ago he knew as wealthy, who are now poor; literally hundreds of them left with herds of cattle on their hands—cattle worth only half of what they were worth a few years ago, because there is now no market for them.

For four years—so runs the universal testimony in Nebraska—the cattle-producer has never sold in a competitive market; and for four years the price of cattle on the hoof has been dropping and the price of beef has been rising.

"I say this from my own experience," said my informant, "that since the Trust was formed the producer has never been certain of his market. When the price drops so low that owners stop shipping, the packers push the price up a few points to induce them to begin shipping cattle again. But they have their private and secret ways of keeping tab of the cattle coming into the market, and know to a car-load how many will reach them on a certain day. When their bait has been taken and cattle are on the way, they put the price down, and the shipper finds that he must sell at cost, or, perhaps, often enough at an actual loss. And sell he must, for to ship the cattle back to the feeding-station would be even more expensive.

"It is a fact that for the last four or five years producers have sold both cattle and hogs at a loss, or, at best, at cost. Nearly every feeder in Nebraska has been impoverished, while many have become absolutely bankrupt, losing all the accumu-

lations of a lifetime. In my tour of Iowa and Nebraska I have found only one feeder for every twenty whom I found two years ago."

A slight consideration will explain this decrease of feeders.

Assuming that thirty bushels of corn at 30 cents a bushel—the lowest price—are required to fatten a steer, it will cost $9 to fit the animal for the market. To this we must add the cost of the steer, weighing, say, 900 pounds, and bought at 4 cents a pound; that is $36. Adding the cost of fattening, freight to the feeding-station, freight to market, rough feed, and salt—the steer at the market will represent a cost to the farmer of about $50.

Suppose the steer weighs 1,200 pounds when shipped to market, and is sold at $4.50 a hundredweight: the return to the farmer will be $54, leaving a gross profit of $4 out of which to pay interest on money borrowed, the labor of farm-hands, shrinkage, and incidentals. Obviously this spells loss.

It is common to buy "feeders" at 4 cents a pound, feed them nine months and ship them to a 4½-cent market. Expert cattlemen and ranchmen figuring even on this basis find a net loss of 15 per cent.—and so far as they can, they stay out of a market with such conditions.

Let us see how much profit there is in a car-load of cattle. Counting eighteen head to a car, and estimating the average weight at 900 pounds, the car-load would stand the producer in $648.

Freight to the feeding-station brings the cost up to $700; corn for feeding will cost $328, making a total cost to the farmer of $1,028. After six months' feeding the cattle weigh, say, 1,200 pounds each, or 21,600 for the car-load; and at 5 cents (high price) represent to the feeder $1,180. This shows a profit of $152, from which, however, must be deducted shrinkage *en route* each way (from 25 to 40 pounds a head), salt, rough feed, commission ($10) on selling, labor for six months, and interest on capital invested. At the average price of 4½ cents, the car-load would return only $972, and the farmer would lose $56 in cash, to say nothing of the other factors in his problem.

Last year Nels Christianson, a farmer living near Lincoln, bought a herd of feeders at Sioux City and shipped them to Lincoln. He fed all his own corn and bought more, in the hope of making a profit on his outlay. He sold for the exact amount he paid, thus losing his crop, the money spent in corn, and the money paid for shipping the cattle from Sioux City in the first place, and later to the market. It is this condition of affairs that has ruined the cattle industry and the cattle dealers of Nebraska.

A comparison of the prices paid in Nebraska in the last five years for medium-grade cattle with the prices of the same grade of meats, shows a discrepancy that cannot be explained by the law of supply and demand. This medium grade is used as an

illustration, because choice beef is never found in a cattle-raising country.

On March 1, 1900, the average price of dressed beef to the butcher in Lincoln was $5.75 a hundredweight; on March 1, 1904, it was $6.20, an increase of 45 cents a hundredweight.

But on March 1, 1900, the shipper received from $3.85 to $5.25 for his cattle, while on March 1, 1904, he received only from $3.25 to $5. On this latter date the packer paid 60 cents less than he did four years before, while he sold his dressed product at 45 cents more. Thus he cleared $1.05 a hundredweight over his profit of four years previous.

But this was not all. In 1904 the shipper received only from $3 to $5 a hundredweight, about 85 cents less, while the consumer in Lincoln was obliged to pay $6.75—an even dollar more than he paid before.

For five years there has been an almost continuous rise in the Trust prices of dressed beef in Nebraska, while the price for cattle on the hoof has either been lowered, or at least has not remained in just proportion to the price paid to the packers by the consumers. On March 1, 1900, shippers received from $3.85 to $5.25 for prime and choice; the packers sold a medium grade to Lincoln consumers at $5.75. On March 1, 1901, shippers received from $4 to $4.75; packers got $6.25. On March 1, 1902, shippers got from $3 to $6.20; packers, $6.75. On March 1, 1903, shippers got from

$4 to $5.50; packers $5.85. March 1, 1904, shippers got from $3.25 to $5; packers, $6.20. March 1, 1905, shippers got from $3.15 to $4.35; packers, $5.45. Doubtless Mr. Garfield's approaching investigation had some effect upon the prices of the last-named year.

"The cattle business," my informant concludes, "has become such an uncertain quantity that it is no business. The producer has no guide for the future. He cannot invest his money in cattle and fatten them for the market, because he has no surety that he can sell according to the law of supply and demand; or rather, he has a surety that he cannot. Accurate estimates of the cattle in the country are kept by the packers, and they know to a week when each bunch of cattle will mature. Then they set their prices accordingly. The packer also knows that, after the cattle once mature, every day before shipping is a dead loss to the owner. He must ship and he must take the price offered.

"Thus the packer has the producer in his grip. When the owner is ready to sell, the price is pushed down, the packer gets the cattle for about the price the shipper paid for them in the first place, the shipper pockets his loss and goes out of business. In this way thousands of cattlemen have been crowded out of business during the last five years."

Or consider a State so far west as Montana, for instance. Next to mining, stock-raising has been the principal industry of Montana. In two

years the cattle industry has been brought to the edge of ruin. I have before me a letter from one of the best-informed citizens of the State, which begins thus: "In proportion to its population Montana has undoubtedly suffered more than any other State in the Union as a result of the operations of the Beef Trust.

"The demand for beef has been greater than ever, the Montana ranges have never been in better condition, the winter has been mild, no hay had been fed up to the fifth of February; and yet all cattle bring prices much below the prices they would have brought two years ago, despite the advantage of time and the expenses of two years of feeding.

"Solid train-loads of cattle from Montana ranges have been shipped to Chicago and only one bid has been made on the shipment, whereas formerly there was keen competition to secure the lots. This bid would be from one of the packers operating in Chicago. The others remained silent. Yet when the cattle were sold it has been found that that identical train-load of cattle had been subdivided among those packers."

Thus grave is the evil done by this insatiable Trust, thus enormous are the regions robbed by it. Says Professor William Hill, of Chicago University, in the *Journal of Political Economy* for December, 1904: "The ranchmen, farmers, and commission men who are vitally interested in this question are numbered literally by the millions."

He has been investigating the conditions of the cattle industry, not for argumentative purposes, but in the cold scientific light of political economy, this professor, and it may interest possible sceptics and the Bureau of Corporations at Washington to know that he finds the evidences of a controlled and manipulated cattle-market to be beyond question. And I cannot better end this chapter than by quoting from his able and incontrovertible presentation the weighty question in which he sums the whole issue for his thinking fellow-countrymen:

"If it be possible for a combination to get sufficient control of the cattle trade to enable it to dictate the prices at which a million farmers shall sell their cattle, then what industry is there which cannot be controlled?"

CHAPTER VIII

A GLIMPSE AT THE REAL WORKINGS OF A MARVELLOUS MACHINE

AND this stifling of competitive buying, this malign interference with normal conditions of supply, is exactly what an injunction of a federal court has prohibited. Nothing could be clearer. On February 18, 1903, Judge Grosscup of the Circuit Court, sitting at Chicago, enjoined the firms, individuals, and corporations (under whatever name or alias known) that compose the Beef Trust, from doing this very thing. They must not prevent their buying agents from bidding against one another for live stock, he said; they must not interfere with a free market; they must not raise prices to induce shipments; they must not make agreements in restraint of trade; and this is what they continue to do in spite of the injunction, albeit enforced by a decision of the Supreme Court of the United States.

And the court's decree, it should be carefully noted, was based not only on established violations of the Sherman Anti-Trust law, but also upon con-

siderations of the common law; so that if no Sherman law existed, the actions in question would still be illegal and improper because opposed to public policy.

Judge Grosscup's temporary injunction was made permanent at the May term, 1903, the decree being filed May 26th. From this final document I quote as follows:

"And now upon motion of the said attorney, the court doth order that the preliminary injunction heretofore awarded in this cause to restrain the said defendants, and each of them, their respective agents and attorneys and all other persons acting in their behalf, or in behalf of either of them, or claiming so to act, from entering into, taking part in, or performing any contract, combination, or conspiracy, the purpose or effect of which will be, as to the trade and commerce in fresh meats between the several States and Territories and the District of Columbia, a restraint of trade in violation of the provisions of the Act of Congress passed July 2, 1890, entitled 'An Act to protect trade and commerce against unlawful restraint and monopolies,' either by directing or requiring their respective agents to refrain from bidding against each other in their purchase of live stock; or collusively or by agreement to refrain from bidding against each other at the sales of live stock; or by combination, conspiracy, or contract raising or lowering prices or fixing uniform prices at which the said meat will

be sold, either directly or through their respective agents; or by curtailing the quantity of such meats, shipped to such markets and agents; or by the establishing and maintaining of rules for the giving of credit to dealers in such meats, the effect of which rules will be to restrict competition; or by imposing uniform charges for cartage and delivery of such meats to dealers and consumers, the effect of which will be to restrict competition; or by any other method or device, the purpose and effect of which is to restrain commerce as aforesaid; and also from violating the provisions of the Act of Congress approved July 2, 1890, entitled 'An Act to protect trade and commerce against unlawful restraint and monopolies,' by combining or conspiring together, or with each other and others, to monopolize or attempt to monopolize any part of the trade and commerce in fresh meats among the States and Territories and the District of Columbia, by demanding, obtaining, or with or without the connivance of the officers or agents thereof, or any of them, receiving from railroad companies or other common carriers transporting such fresh meats in such trade and commerce, either directly or by means of rebates, or by any other device, transportation of or for such meats, from the points of the preparation and production of the same from live stock or elsewhere, to the markets for the sale of the same to dealers and consumers in other States and Territories from those wherein the same are so

prepared, or the District of Columbia, at less than the rates which may be established or in force on their several lines of transportation under the provisions in that behalf or the laws of the said United States for the regulation of commerce, be and the same is hereby made PERPETUAL."

That is a rather long and mazy sentence; but I want to show how sweeping is this remarkable injunction, and how explicitly it prohibits all the acts charged against the Trust. In plain English, the meaning of the document is, that the packers are strictly forbidden to limit or restrict by any method or device free competition among themselves in buying cattle or in selling meat, and forbidden to accept any rebates or other advantage from any railroads.

Here then is the issue straitly drawn. Government, through its court, forbids certain men to do certain things. The forbidden things continue daily to be done. How does it come about that any citizens of this country are stronger than the country's laws and courts?

It comes about primarily in this way. The fact of the lawlessness is absolutely certain, the results are apparent, but its methods are devised with such cunning that the law can be baffled and its somnolent officers can have a perfect excuse for sleeping on.

To see this plainly we must go into the organi-

zation, real and apparent, of this combination of giants. And first we should understand clearly that here is something unique in corporation management, here is a system without a precedent in the history of monopolies. What do we understand by the word Trust? If we mean a central incorporated body controlling an industry, and having stockholders, officers, offices, records, and books; if we mean, in other words, only such an organization as the Standard Oil Trust has, or the Sugar Trust, or the Steel Trust, here is no Trust at all, and Mr. Lorimer was quite right when he solemnly assured President Roosevelt that there is no such thing as a Beef Trust. In the packing-house industry there is no organization that resembles the Oil Trust, nor any other Trust; no central body, no control, no officers, no holding company, no stock, no books, no records, no president to subpœna, nothing to bring into court. The packing-house combination has no office, no designated meeting-place, no secretary, no stenographer, no minutes. It holds its meetings in cabs, on street corners, in private houses. It is as intangible as the air, as mysterious as destiny, as certain as a perfect machine. It represents the highest and most dangerous achievement in corporation management. Beyond this, human ingenuity has not gone.

Here are four houses, Armour & Co., Swift & Co., Morris & Co., the National Packing Com-

pany.* Nominally each maintains in business a flawless autonomy. No central organization binds together these great concerns. There is no common treasury, no legally definable management in common. A combination among them may be as close as wax, as obvious as sunlight—where are the documents to prove the compact? Suppose these houses do agree upon certain things, suppose they do set limits to buying-prices and selling, the agreement can be verbal, and the prosecuting attorney that attempts to ferret it out will have much employment for his time.

And what Stevenson would call the "mortal cleverness" of it all is not fully apparent at a glance. It surpasses all the works of all the ablest Trust lawyers in building mergers and formulating law-proof corporations. It is elastic, adjustable, adequate, warranted to stand almost any investigation, and all but impossible to detect. Here are in fact two complete organizations. One, with its individual companies, its separate houses, its books, its reports, its dividends, is always on exhibition for grand juries and complaisant commissioners of corporations. The other, secret, intangible, without record and without form, without officers, without a scratch of a pen to mark its trail, without wit-

* The Schwarzschild & Sulzberger and the Cudahy Companies mentioned in the Garfield report and commonly included in the Trust, while closely related to it and operated in harmony with it, are of less importance and have restricted fields. Cudahy does not buy in the Chicago market.

nesses and without papers, almost infalliby screens the real operations of the real Trust.

Even this recounts but a part of the advantages of this wonderfully skilful plan. It has moral and sentimental as well as business strength. It enables any person that so desires to declare that there is no Beef Trust, and if by Trust we mean strictly such an organization as the Standard Oil, the assertion is tolerably true. It yields the flattering unction to the uneasy or ill-trained conscience. It soothes the casuist. It affords boundless support for the smooth attorneys that the Trust sends to all meetings of cattlemen to pat the aggrieved on the back and assure them that the Trust is a myth. It provides point and substance for the defence of the Trust, adroitly urged in reactionary newspapers. And it all but nullifies the law.

In its structure are but two weak places.

The first is the National Packing Company. The original design was that this institution should be the central holding company for all the interests, that it should be the merger, the links to bind all together. A New Jersey corporation organized by office-boys and janitors, it was to bloom in due time, under the bewildering magic of the wizards of high finance, into the great company that should infold all the others. But before this purpose could be carried out Judge Grosscup's injunction blew cold upon the project, the immense advantages of the other plan occurred to some one, and the Na-

tional Packing Company stopped with the absorption of the smaller houses that had been crushed or outstripped by the agreeing gentlemen. Nominally it is composed of the following firms, formerly in independent operation:

The G. H. Hammond Company,
The Anglo-American Provision Company,
The United Dressed Beef Company,
The Omaha Packing Company,
The Hammond Packing Company,
The Fowler Packing Company,
The St. Louis Dressed Beef Company.

As a matter of fact these firms no longer exist. The Armour interests bought out the entire Hammond concern, and the stock of the National Packing Company is now owned by the Armour, Swift, and Morris houses.

But observe: it is as clear as anything can be, that right here is the conclusive evidence of the combination. It is admitted that the four houses, Armour, Swift, Morris, and the National Packing, dominate the beef industry. When three of these houses jointly own the fourth, obviously there can be no competition among them. The least reflection will show that even if there were no other agreement, no other understanding, the one mere fact of the joint ownership of the fourth house must absolutely wipe out the least vestige of competition. A firm does not compete with another firm in which

it holds one-third of the stock, does it? Clearly, investigation in search of evidence of a combination need go no further than this one fact. Some day there will come along a tribunal or an investigator with wit enough to see this plain pikestaff, and when that happens look out for your Beef Trust, Mr. Armour; it will not last long thereafter.

The other weak point in the organization is that while all the disadvantages of a central and tangible corporation are avoided, the results of the suppressed competition cannot be disguised. No assurances that the Beef Trust does not exist, and no whitewashing report by the Commissioner of Corporations, can deceive or silence the millions of wronged men that in the last three years have been sandbagged in a market where there was one bid, one price, one buyer—and four houses to share the spoils.

And that is where grave trouble lies ahead for the Beef Trust.

It is time now that we should see just how in the practical working of the Trust scheme this market that is no market is secured.

Suppose it to be some day last winter before the talk began of a federal Grand Jury investigation. Suppose you are paying an early morning visit to the Chicago Stock-Yards. You can see for yourself, and to your great edification, the revolutions of one of the most beautiful machines ever devised by man.

It is a great place, the Chicago Stock-Yards; 360 acres of pens filled with cattle, sheep, and hogs; thousands of ranchmen and farmers, come from all parts of the vast area of the Middle West. The Yards open at seven o'clock. In the old days selling began at that hour, but now the farmers stand idly by their pens waiting, waiting. Certain men that will be pointed out to you as the buyers for Armour, Swift, Morris, and the National Packing Company go about observantly, noting all but buying nothing. Before long these disappear, to presently return. You do not know it, but in their absence there has been a mysterious conference over the private telephone wires in Packingtown. If the day be Monday, let us say, the buyer for Armour now goes briskly along the line inspecting cattle and offering up to a certain figure, perhaps $4.50 for good stock. If the drover accepts the offer, well and good. If not, the genial buyer walks his way serene—he does not care. Take it or leave it, is his motto. "You will think better of it before the day is over," he says pleasantly. "And you know where to find me."

And so all day he goes from pen to pen, and no matter how good the cattle offered may be, he has his limit, he will bid but so much. An urbane, affable man, like all the buyers, but not to be moved beyond his limit. Take it or leave it. And behind him moves the buyer for Swift & Co., and he goes languidly among the offerings, and nothing he sees

suits him. And the drovers that have not been willing to submit to Armour's price, and know they are being robbed, they importune Swift's man to buy, and he has his parrot answer pat like the other. "No, thanks, they don't suit my trade," or "No, thanks, I haven't any place to put them." And if the drover become insistent and will not let go without a bid, Swift's man bids, but it is at just the same price as Armour's, always the same. And after him may come the head buyer for Morris, and he is of the mind of Swift's man, exactly the same. And after him may come the head buyer for the National Packing Company. And he is of the mind of Morris's man. One price among them all, and only one ready to buy.

Or on the next day you could see the same interesting game, with Swift's man making the purchases, and Armour, Morris, and the National Packing Company finding the cattle not suited to their trade. And on the next day Morris buying and the rest dissatisfied. And so on.

And at the same time you could see the subbuyers and assistants conscientiously doing their part to show what a sound reliable Trust is for. Each of these assistants has a certain territory in the Stock-Yards. On Monday Armour's man is instructed to buy only a certain grade of cattle at a certain price limit, and the men in that territory for the other houses do not bid for that grade. On Tuesday it is Swift's turn; on Wednes-

day, Morris's; on Thursday, the National Packing Company's.

Until the Grand Jury investigation began, this strange performance was the daily program. You could see it any day—anybody could see it. Some variations, to be sure, relieved the tedium of monotony. Sometimes Armour bought two days in succession, sometimes Swift. But whoever bought, there was but one bid. The few independent packers still left in the country might secure some lonely car-loads, the few export buyers still outside the Trust might get a few cattle of extra quality. These scarcely rippled the placid surface of a market that was no market. One Trust packer took the bulk of the cattle and paid what he would for them. And often the unlucky seller could amuse himself by watching his herd, bought by one house, being driven up the driveways to all the houses.

So went in those days this pleasant piece of commercial piracy.

Take note of its exceeding adroitness. Does anyone assert that the Trust has destroyed competition? There are the four head buyers for the four houses; count them for yourselves, gentlemen—four, you will observe. Does anyone point out that the four offer in every instance exactly the same price? Coincidence, my dear sir, mere coincidence. Does anyone call this a Trust? Amazing! See for yourself. The four great packing-houses are in full operation. See the smoke from the chimneys.

They have their separate organizations and offices, their separate engines and engineers, their individual signs on the cars, on their distributing agencies, even on their wagons and harnesses. Is this a Trust? Here is no Standard Oil, no 26 Broadway. Some of these companies are organized under state laws; their stock is for sale, it is held by many persons. Surely the operations of such a company must be in the daylight. There is no deception here. And does anyone assert that in the cattle-market prices are fixed in advance and competition is destroyed? Why, that voice in the telephone may come from the skies, for all we know. Will you indict a voice?

And yet with all this there was the fatal defect that no cunning could cover up.

The sellers of cattle, the producers, the farmers, they knew all the time; they were not deceived. They understood perfectly well the hold-up game. They knew that competition had been destroyed. And meantime, there stood the plain letter of the law, which has no regard for dumb show and play-acting, strictly forbidding combinations in restraint of trade.

And this is the reason why, when the Grand Jury at Chicago began on March 20, 1905, to investigate this Trust that the National Commissioners of Corporations says has no existence, it was necessary to put up the price of cattle, and to institute a show of competitive buying.

And this is the reason, this fatal defect in the machine by which the results cannot be hid, that as soon as the first subpœnas issued from the Grand Jury so strange and hurried a flight began from the packing-houses. The farmers and drovers would tell, that was certain; there must be no one left from whom corroboration could be wrung. So one man that knew the wheels of the machine fled overnight to British Columbia, and others went to Mexico and to Canada. In some establishments, there grew to be in twenty-four hours a notable lack of high executives. Four men under subpœnas from the United States, four of the responsible executives in the packers' employ, got hastily to Canada by night, and sailed for Europe from St. John, N. B. They were under subpœnas, but they fled nevertheless.

This is also the reason why when the Grand Jury began to investigate this Trust that Mr. Garfield says does not exist, one of the superintendents for one of the packing-houses was arrested and indicted for tampering with witnesses. It is the reason why officers of the Government were obliged to drive from the building where the Grand Jury met, other too busy servants and representatives of the packers. It is a mighty fine thing to have a system that conceals its own operations. What is really needed is one that also conceals its results.

Can you indict a voice? I don't know. But that voice in the telephone every day is the instru-

ment by which the combination in restraint of trade lives and moves and has its being. One little voice! To this stage has trade consolidation and industrial monopoly come at last. One man's voice in a telephone determines how much a million farmers shall lose on their cattle, its echoes are heard through the remotest areas of the West, they have shaken down banks and precipitated bankruptcies. A whole vast industry from the Rio Grande to North Dakota can hang on the voice of one man in a telephone. All these producers and all their vital interests are there, in the mouthpiece of one small instrument. Lawless? Surely. It has been declared by a federal court to be in violation of a statute, and has been strictly forbidden. And for two years it has gone on in spite of that prohibition, and all the power of the Government of the United States has not been strong enough to stop it, nor to vindicate the law it has daily defied. On the whole, does it not seem that we have carried these conditions about far enough?

CHAPTER IX

THE GOVERNMENT IN DEFENCE OF A TRUST

THUS the Beef Industry of Amreica is adorned with two distinct organizations: the Daylight and the Dark Lantern.

The Daylight is for children, the uninitiated and those that want to be fooled. The other is for practical profits.

Mr. James R. Garfield, Commissioner of Corporations in the National Department of Commerce and Labor, has lately elucidated the Daylight organization in a report.

Justice compels me to say that much of the adverse comment aroused by this unique document has been unfair, because the fact has been overlooked that for some reason, not, I may say, blazoned in the report, Mr. Garfield's inquiry was strictly confined to the part of the packers' business pleasantly reserved for the grand stand. It has been universally called a report on the Beef Trust. To the real operations of the real trust it bears just as much relation as a treatise on Oriskany limestone would bear to the whole science of geology.

The essential features and findings of the Garfield report are as follows:

1. That six packing companies—Armour & Co., Swift & Co., Morris & Co., the National Packing Company, Schwarzschild & Sulzberger, and the Cudahy Packing Company, " frequently designated in the trade," we are told, " as the 'Big Six,' " slaughtered 5,521,697 cattle in 1903, which is only forty-five per cent. of the cattle slaughtered in the United States. Hence, it is concluded, there is abundant competition and no monopoly in cattle-slaughtering nor in the beef trade.

2. That the profits in the cattle-slaughtering business are really very small and may be stated at an average of only ninety-nine cents a head.

3. That changes in the margin between the price of cattle and the price of dressed beef are no indication of changes in the profits of the packers.

4. That the percentage of profit on the gross volume of the packers' business, including all kinds of products, is small. For three years, says the report, the profits of Swift & Co. have not exceeded two per cent. of the total sales, and in 1904 the profit of the Cudahy Packing Company was only 1.8 per cent. of the total sales.

5. That the profits of the Private-Car lines owned by the packers are only fourteen to seventeen per cent.; that the refrigerator cars cost $1,000 each and $115 a year to maintain.

6. That the profits on Private Cars do not

affect the price of beef to the consumer, because the net profit from the mileage of such Private-Car lines is only four cents a hundred pounds of beef or twenty-five cents a head of cattle.

7. That neither the cattle-raiser nor the consumer has any reason to complain. The cattle-raiser is not getting too little for his cattle nor is the consumer paying too much for his beef.

For the gross inaccuracies and amazing misstatements, the dealings with half-truths, and the bland acceptance of plain subterfuge that illuminate this strange document, Mr. Garfield himself should be held in no way responsible. The report is not of his authorship. His own investigations in Chicago were chiefly confined, I believe, to the excellent fare dispensed by the Saddle and Sirloin Club and the charming hospitality of some of the first families of the city, which, with genial cordiality, hastened to welcome the stranger within their gates. If Mr. Garfield had cared to examine and question the conclusions furnished to him and agreeably repeated in his report he would have found the facts in each case to be as follows:

1. *As to the cattle slaughtered by the leading packers and their competitors.*

To begin with, the statement in the report is dishonestly framed. The intention is to create the impression (by the adroit use of the phrase "Big Six") that the six firms mentioned here constitute the Beef Trust. As a matter of fact they are only

machines in the Trust's employ. They are six of probably one hundred names under which the real Trust carries on its diverse operations. They are six of one hundred corporations, firms, copartnerships, and associations. The total business they do as viewed by this report is only a fraction of the total business of the real Trust.

Elsewhere in the report this is admitted.* For instance, there are Armour & Co. of Illinois, Armour & Co. of New Jersey, the Armour Packing Company, limited, the Armour Packing Company, unlimited (to recite only a few of the titles), all public corporations, and back of all, Armour & Co., a copartnership. The report admits (see page 19) that it deals with the operations of only the Illinois corporation and the Armour Packing Company. What, then, becomes of the activities of all the rest of the Armour corporations, and more especially of the copartnership, about which, of course, Mr. Garfield can know nothing?

Again, the Swift & Co. to which this report is limited, is Swift & Co., a public corporation of Illinois with a capital stock of $35,000,000 and 6,000 stockholders, a concern as open as the day. But here are also Swift & Co. of Maine, the Swift Beef Company, G. F. & E. C. Swift, G. F. Swift & Co., E. C. Swift & Co., N. E. Hollis & Co., Swift & Co. of West Virginia, Swift & Co. of New York,

* See Appendix, which I suppose few have read, though it contains most significant matter.

the Swift Packing Company. What of these? Here also are Libby, McNeil & Libby of Illinois, Libby, McNeil & Libby of Maine, the Boston Packing & Provision Company, the New England Dressed Meat and Wool Company, and many other corporations. The report admits (see pages 289 and 290) that these are owned or controlled by the Swift interests, and are separate from Swift & Co. of Illinois. Yet it is only Swift & Co. of Illinois that is dealt with here; it is only its packing-houses at Chicago, Kansas City, South Omaha, East St. Louis, St. Joseph, Fort Worth, and St. Paul, that are considered in the figures and conclusions of this report.

Again, the Morris & Co. to which this report is limited, is Morris & Co. of Maine, a corporation with a capital of $3,000,000, and the Fairbank Canning Company (same owners—see page 19). There are a copartnership of Morris & Co. and another of Nelson Morris & Co., the Morris Beef Company, and the Morris Packing Company, and other Morris concerns. Yet it is only with Morris & Co. of Maine that this report deals, and it is only its packing-houses at Chicago, East St. Louis, and St. Joseph that are considered in the figures and summaries.

The Schwarzschild & Sulzberger Company to which this report is limited, is Schwarzschild & Sulzberger of New York, a public corporation. There are the Schwarzschild & Sulzberger Beef and Pro-

vision Company of Missouri, the Schwarzschild & Sulzberger Company of New Jersey, the Cold Blast Transportation Company of Maine, and other corporations in which Schwarzschild & Sulzberger are interested. It is only with the Schwarzschild & Sulzberger Company of New York that this report deals, and only its packing-houses at New York, Chicago, and Kansas City are considered in the figures and summaries.

The Cudahy Packing Company specified here is an Illinois corporation with a capital stock of $7,500,000. There are the Cudahy Packing Company of Louisiana, another of Alabama, the Cudahy Brothers Company of Wisconsin, and the John Cudahy Company of Wichita, Kansas. It is only with the Cudahy Packing Company of Illinois that this report deals, and only the Cudahy plants at South Omaha, Kansas City, Sioux City, and Los Angeles are considered in the figures and summaries.

To show how obviously unfair is this practice I quote the following admissions from another part of the report:

"Affiliated companies.—In addition to the companies directly owned in behalf of Swift & Co. of Illinois, it has already been shown that Swift interests are closely identified with several other corporations. Of these, Libby, McNeil & Libby may be specially mentioned as the owners of a packing-house and also of a refrigerator-car service. It

is stated that Swift & Co., as a corporation, owns no stock in this concern. The exact ownership of the various Eastern packing companies included in the list of Swift properties already given has not been absolutely established. It is specifically denied that Swift & Co., as a corporation, holds stock in these. Swift interests are nevertheless well represented in these companies, as will be seen from the following:

"Libby, McNeil & Libby.—Four of the seven directors—Edward F. Swift, L. A. Carton, Louis F. Swift, and A. H. Veeder—are also directors or officers of Swift & Co. of Illinois.

"North Packing & Provision Company.—E. C. Swift is president and D. M. Anthony, a director in the Swift Refrigerator Transportation Company and in the Swift Live Stock Transportation Company, is a director.

"Sperry & Barnes Company.—E. H. Barnes, of this concern, was, at the time of his death, a director in Swift & Co. of Illinois." Page 31.

Here, therefore, is merely some expert and ingenious word-juggling. To enumerate "Swift & Co." as one of the "Big Six" packers, and then to consider only one of the corporations called "Swift & Co." and only part of the packing done by the Swift houses, is manifestly deceptive. We should have had all the story or none. We should have had all the copartnerships and aliases. To select one corporation in each case and pass that off

as representing the total activities of the interests involved, stamps one-sidedness upon the whole document.

The whole structure of Mr. Garfield's argument in favor of the Beef Trust turns upon the following bare assertion:

"At the same time these companies do a smaller proportion of the beef business of the country than is ordinarily supposed, and comparatively narrow limits are placed upon the control which they could, even if they acted in harmony, exercise over the prices of cattle and of beef.

"The estimates of the Bureau, from the best statistical material available, indicate that the total slaughter of cattle (aside from calves) in the United States during 1903 was about 12,500,000 head, of which the Armour, Swift, Morris, National, Schwarzschild & Sulzberger, and Cudahy companies slaughtered 5,521,697, or about 45 per cent. The proportions of the beef supply of the country which these concerns collectively furnish is about the same, notwithstanding the fact that they export several hundred thousand carcasses of dressed beef annually."

To any intelligent cattleman this delirious extravagance is all that is necessary to know about the Garfield report. Twelve million five hundred thousand cattle—where on earth did the man get the slightest authority for any such figures? They savor of Bedlam. The report says only that they

are drawn from the best available statistics. Statistics! What statistics? There are no statistics about total cattle-slaughtering. Even the United States Government has none. You cannot find them anywhere. They do not exist. The census of 1900 reported the annual slaughtering in this country to be 5,530,911 cattle, but aside from that there is not the vestige of a basis for definite figures. Mr. Garfield would have us believe that in three years the number of cattle annually slaughtered in this country has much more than doubled. What becomes of these six or seven million carcasses thus produced? He does not tell us. They are not eaten and they are not exported.* Then what does become of them? And this is the report that has been praised in some quarters for its "figures" and its "truth in the face of public clamor!"

Nobody knows exactly how many cattle were slaughtered in the United States in 1903; but it is easy to demonstrate that the number was not 12,500,000, nor anything like it.

According to the annual report of the Union Stock-Yards of Chicago, compiled by the best liv-

* Mr. J. J. Ryan, of Fort Dodge, Iowa, Secretary of the Corn Belt Meat Producers' Association, points out that if Mr. Garfield's figures are true every man, woman, and child in the United States must consume an average of 191 pounds of beef a year! Mr. Ryan also shows that the increase of slaughtering revealed by Mr. Garfield's 12,500,000 ought to cause the greatest alarm, because it is so much greater than the natural increase of cattle. that in a few years there will not be a steer left alive in the country!

ing authority on the cattle business, seventy per cent. of the beef cattle of the United States are produced west of the meridian of Chicago. Now it may be taken for certain and is explicitly admitted in Mr. Garfield's report* that of the cattle so produced, ninety-eight per cent. are slaughtered at the plants of the companies called here the Big Six. Therefore, even supposing all the cattle produced east of the Chicago meridian to be slaughtered at other plants than those of the Big Six, that would leave sixty-eight per cent. and not forty-five per cent. of the total cattle to be slaughtered at the Big Six plants. But as a matter of fact, no thirty per cent. of the cattle produced east of Chicago escape the Trust plants, not by a great deal. There are great Trust slaughtering-plants in New York and New England and elsewhere in the East that get their full share, or more, of the Eastern-raised cattle. Hence Mr. Garfield's forty-five per cent. is on the face of it utterly impossible.

But even this is not all the story. Everyone familiar with cattle conditions will tell you at once that Mr. Garfield's total of cattle-slaughtering is at least 5,000,000 too high. This question was submitted to Mr. Cuthbert Powell of Kansas City, for thirty years an expert in these matters, and he responded with the following demonstration from official records:

* Page 21.

Cattle Purchases for Slaughtering in 1903.

Chicago	2,163,031
Kansas City	1,033,384
Omaha	766,870
St. Louis	821,433
St. Joseph	404,737
Sioux City	68,958
Milwaukee	21,460
St. Paul	67,945
Fort Worth	240,726
Total	5,588,544

These cities comprise the great slaughtering-markets of the country. From Mr. Powell's long knowledge of trade conditions, he estimated the total number of cattle slaughtered outside these cities at about 1,400,000, which makes a total slaughtering of less than 7,000,000. Now as ninety-eight per cent. of the slaughtering done in the cities mentioned was at the plants of the Big Six, it follows that the Big Six killed seventy-five per cent. of the cattle killed in the United States, and this estimate will be called conservative by every expert at the Stock-Yards.

How could it be otherwise? Where could Mr. Garfield's extra 5,000,000 cattle be slaughtered? Not in any slaughtering-houses known of men, certainly. There are, to be sure, in the large cities, independent packers and independent butchers, mostly with a local trade that does not like chilled beef and will not take it. But the total capacity

of all these together is not 25,000 a week. All the rest of the slaughter-houses in the country now outside of the Trust could not slaughter 5,000,000 cattle in seventy years. I challenge Mr. Garfield to point out the location of the slaughtering-plants that kill his 5,000,000 a year. Where are they? He does not even hint in this report. Farm slaughtering has been, practically speaking, abandoned; most plants in small cities and towns have been closed; the big plants everywhere are in the hands of the Trust. *Then, where are the ghostly butchers that kill Mr. Garfield's mythical* 5,000,000? * *Let us hear about them.*

For this huge and glaring inaccuracy there is but one explanation. The legal mind that prepared the report must have overlooked, accidentally or otherwise, the "feeder" factor with which this problem is necessarily complicated. Abundant statistics exist to show the receipts of cattle at the various market-points. A natural conclusion would be that a total of these receipts, less the number of

* The actual yearly slaughtering of cattle done by the independent packers and slaughterers of the principal cities of the country is unofficially estimated at the Chicago Stock-Yards as follows:

New York	60,000
Philadelphia	30,000
Baltimore	25,000
Buffalo	25,000
Pittsburg	60,000
Cleveland	15,000

Total, 215,000 a year. It would really puzzle Mr. Garfield to find one-tenth of his five million.

cattle exported, would give the number slaughtered, and a result reached in this way would show something very like the figures of the report. But the fatal flaw in such calculations is the duplications caused by the "feeder" business. Great numbers of cattle reported as "received" at various cattle centres are really only in transit to the farms where they are to be fattened for market, and these same cattle subsequently reappear in the receipts at other places.

For instance, Denver "receives" in a year about 500,000 cattle, but it slaughters very few of these. The rest are shipped forward to the feeding-farms and in a few months appear again at the slaughtering-points. A very large proportion of the cattle received at Kansas City, Sioux City, even Chicago, are merely transferred thence to the feeders. In the last week of March this year 50,000 cattle were received in Chicago, of which 10,000 were shipped East for export, 5,000 were shipped to New York for the United Dressed Beef Company (Trust plant) and J. Stearns & Son (independent packers), and 11,000 were sent to feeders in Wisconsin, Indiana, Ohio, Michigan, Kentucky, Lancaster County, Pa., and so on. These 11,000 will later be counted again in the receipts of some slaughtering-market, and most of them will find their way to a Trust abattoir.

The misstatement, however it occurred, is most unfortunate, for it creates a totally false impres-

sion as to actual conditions, an impression furthered by the fact that while enormously overstating the number of cattle slaughtered in the country, the report understates the number slaughtered in Trust houses, and then concludes that these two errors establish that there is abundant competition.

As to the understating of Trust activities, I call attention to the fact that the report eliminates from the Trust list every packing-house in the country that is owned by Trust interests but operated under other names. Thus, for instance, the Swift interests own the plants at Boston operated under the names of John P. Squires & Co. and the North Packing Company. They own the plants at Hartford, New Haven, Providence, and elsewhere operated under these names and the name of Sperry & Barnes. They own various other enterprises in various other places. But all these are scrupulously omitted in this report from the list of Big Six houses, and their output, so far as it relates to beef, is classed with the fifty-five per cent. of slaughtering alleged to be competitive!

Again, I may further illustrate this from the Cudahy plants. The enormous establishment at Milwaukee is classed with the competitors of the Big Six because it is operated under the name of the Cudahy Brothers Company instead of the Cudahy Packing Company. The plant at Wichita, Kansas, is classed with the competitors of the Big

Six because it is operated under the name of the John Cudahy Company. There is much in a name, to the gifted author of this report. Wherever in the country is a plant operated by a Trust firm under some other name, that is conclusive evidence to this singular mind that such a house is competing with the Trust! As a matter of fact, when all these houses are put in the proper column and when the figures of total slaughtering are reduced to something within reason, it appears again that the Trust houses slaughtered in 1903 seventy-five per cent. of the cattle slaughtered in the United States.

And, of course, as to the remaining twenty-five per cent. slaughtered by local butchers and independent houses, the prices paid for cattle by such houses and the prices charged for beef are practically fixed by the Trust. When the Trust is buying cattle at twenty per cent. under normal prices the few independent houses will not bid much above those prices for the small supplies they need. And just as assuredly they will not cut much under the market rates for beef established by the Trust. There is no reason why they should. For their comparatively small offerings they have a steady demand from consumers that do not like chilled beef and will not take it anyway.

So that instead of "ample competition" in the beef industry, there is practically none. The Trust makes the price for buying cattle, and it makes the price for selling beef.

2. *As to ninety-nine cents a head profit.*

To understand this we must remember that like most other great modern commercial enterprises the beef industry is organized on the basis of wheels within wheels. That is one reason for the existence of so many different corporations in one interest. The typical organization in the beef trade is like this: One company buys the cattle, slaughters them, and turns them into chilled beef. A second company, frequently of the same name, then buys the chilled beef of the first company and undertakes to distribute it, and sometimes still another company retails it. A third company buys of the first company the by-products suitable for fertilizers, a fourth purchases the hides, a fifth the parts suitable to make grease and rendered products, a sixth takes something else, a seventh operates the Private-Car line and collects the mileage graft—and so on.

Now, of course, this first or parent company sells everything to its offspring at the narrowest margins, because the first company is the daylight concern and has the books that are available for Commissioners of Corporations and others, and it is wholesome that these should not show too much. The real money-making is carried along the line until it disappears from the admiring view into the pockets of the firm or copartnership that really pulls the strings and operates the show.

Thus when the first company turns over the dressed beef to the second company, the first com-

pany marks down a sale that shows a small margin of profit. But no note is taken there of the profit that lies between the purchase price of the cattle and the price the consumer pays for his beef. To find the notation of that profit you must search books in Braintree, Mass., and Baraboo, Wis., and compare these along the line back to the purchase price.

This is still more conspicuously true of the by-products, which are, by the way, the most profitable things in slaughtering. Take hides, for instance. When hides are put into the cellars at the packing-houses they are uniformly charged off on the books of Company No. 1 at from three to five cents a pound. At that moment they are worth from seven to ten cents a pound. The seven to ten cents never appear on the books of Company No. 1, but no one need fear that the real value escapes ultimate attention. The extra four or five cents may traverse a dizzy course through various ledgers, but they may be depended upon to come safely home at last.

For explicit admissions that this is the fact we have only to refer to the report itself.*

* But surely nothing can be more extraordinary than the contradictions and inconsistencies that this document continually presents. It begins with a "Summary" (which seems to have been prepared for quotation by the press), and almost every statement in the "Summary" is contradicted or refuted by other statements in the body or appendix of the report proper! It seems clear from internal and other evidence that the "Summary" is of an origin quite different from the source of the rest of the report. Curiously enough it bears a striking resemblance in matter and manner to a defence of the packers issued a year ago under the name of Mr. Louis Swift, but understood in reality to emanate from the office of Mr. John S. Miller, chief counsel for the packers, and one of the ablest corporation lawyers in the United States.

"Most of the packers make it a practice to transfer their hides and butter-fat from the cattle department to the hide and oleo departments at much less than their true value. They look upon these two departments as practically branches of the cattle department, and the fixing of a price upon the raw material at all is merely for the purpose of furnishing a basis for a rough preliminary computation of the dressed cost of beef. The hide and oleo departments of such companies accordingly almost invariably show an apparently exceedingly large percentage of profit."—Foot-note, page 236.

" * * * * By most companies the arbitrary price at which the hides and butter-fat are valued in computing the so-called dressed cost is made the basis of the bookkeeping charge from the cattle department to the hide and oleo departments; in such cases, since these prices are much too low, the cattle and beef department may show a loss and the hide and oleo departments a large profit, most of which in no sense belongs to them." —Foot-note, page 250.

This explains why no one has ever been able to make Mr. Garfield's ninety-nine cents profit agree with any market rate, and solves what has been to many persons a baffling puzzle. On the face of it, nothing should be easier than to ascertain the profit in slaughtering cattle. We know what the cattle cost, we know the average price of beef, the aver-

age yield of by-products and what they fetch. Hence, while thousands of experts have figured with confidence on Mr. Garfield's ninety-nine cents result, not one has been able to come anywhere near it. The reason is that all have figured on the market prices of the various commodities; Mr. Garfield's result was reached from the prices charged off to Company No. 1. That makes all the difference in the world.

Let us look at the calculations of some of these experts.

The first is Mr. James E. Poole, of the *Live Stock World,* who has been twenty-two years at the Chicago Stock-Yards. He was asked to make a table showing the smallest possible average profit in slaughtering—that is, to come as near as might be to Mr. Garfield's ninety-nine cents. Here is his work:

Take a 1,000-pound steer costing 4¼ cents a pound live weight, or $42.50.

It will yield fifty-six per cent. in beef. We have then the following results:

Beef, 560 pounds at 6½ cents *	$36.40
Hide, 60 pounds at 10 cents	6.00
Butter tallow	2.00
Head and feet	.40
Cheek meat	.12
Tongue	.60
Liver	.10

* Low price. Mr. Poole is figuring on low grades so as to get as close as possible to Mr. Garfield's figures.

Sweetbread		$ 0.10
Tail		.04
Tallow trimmings		.30
Blood		.10
Horns		.10
Fertilizer material and sundries		1.75
Total		$48.01
Deduct live-weight cost	$42.50	
Cost of killing	.50	
General expenses of plant, depreciation, etc.	1.25	
		44.25
Profit		$3.76

Mr. Cuthbert Powell, of Kansas City, to whom I have previously referred as an able and impartial authority on all these matters, makes the following estimate based on one year's records in a great Western packing-house:

Native steers on the hoof averaging 1,205 pounds and dressing fifty-eight per cent. in killing make, each, 700 pounds of clear meat. They sell in the Kansas City market for 4¾ cents a pound, at which the live-weight cost is $57.23.

Beef, 700 pounds at 7½ cents		$52.50
Hides (average value)		7.32
Fats (average value)		5.56
Offal (average value)		2.26
Total		$67.64
Deduct live-weight cost	$57.23	
Cost of killing	.50	
General expenses of plant	2.50	
		60.23
Profit		$7.41

Mr. Powell says:

"Applying the average profit of $7.41 on cattle, twenty cents on hogs, fifty cents on sheep, and fifty cents on calves to the total number of head killed in a year by the 'combine' packing-houses gives a total profit of $47,727,412. Figuring upon the total capitalization, undoubtedly heavily watered, of $110,500,000, we have forty-three per cent. profit on the stock."

Should anyone inquire what becomes of these profits, the easy answer is found again in the intricate ramifications of corporation, firm, and copartnership into which the system of the great business is carried. It is quite possible to find out the dividends paid by a public corporation; it is utterly impossible to tell what profits are made by the still, small copartnership that stands back of, owns, and directs the public corporation.

One little fact that in itself demolishes Mr. Garfield's estimate of profit has been generally overlooked. It is this: To reach his total he piles up an expense account of about $8 on each head of cattle from the purchase alive to the disposal of the dressed beef carcass. This includes an exaggerated cost of killing and, what is more important, it includes the cost of transportation. Now, in these "books" of the packers, on which Mr. Garfield sets so much store, the cost of transportation must necessarily be figured at the regular and published tariff rates. No trace could be allowed to appear

there of the enormous rebates granted by the railroads, for that would mean criminal prosecution for all concerned. Similarly no trace could appear of the vast amounts saved by underbilling and by wrong classification. When we reflect that one transportation company has been said to pay one packing-house $30,000 a month in rebates, and that underbilling is a great item, not only is Mr. Garfield's estimate worthless, but we can see at a glance how much value lies in any of his deductions from any of these " books."

Another side-light, quite as interesting, appears in the fact that to the expenses of the cattle business belong the ingenious extortions charged at the various stock-yards, the terminal charges, " yardage," and feeding charges. But as all the stockyards except those at Kansas City and Chicago are owned by the Trust (not through the corporations selected by Mr. Garfield, but through individuals and copartnerships), we can gather more and more how much this foolish report has to do with the real Trust and its profits.

As a final and most significant indication of what these profits are and how carefully they are avoided here, I quote this from page 237 of the report:

" It would obviously be improper to consider the profits of all these highly elaborated manufacturing departments—even those profits derived strictly from articles of which the products of cat-

tle are the raw material—as being the profits of the beef business. The production of commercial fertilizer as distinguished from crude fertilizer, of bone novelties, even of glue, and obviously of sandpaper, is no essential part of the packing industry."

And why not, if one may ask?

3. *As to the margin between the price of cattle and the price of dressed beef.*

The sole value of this curious observation lies in its probable effect on the public mind at a time when there is universal complaint about the retail price of meat. It is used to dissipate the belief that because cattle are worth less than they used to be worth, and meat costs more than it used to cost, therefore the packers' profits have increased. From the books of the Daylight Organization the report combats this belief. As these books represent the profits of Company No. 1, and reveal nothing of the real profits of the real combination, the remark is without significance. The real profits might be anything, and Mr. Garfield would not know it.

4. *As to profits on sales.*

On this I quote the whole disingenuous conclusion:

" Indirect evidence that the profits of the packers in their beef business are less than is frequently supposed may be drawn from the relation between the total profits of certain companies and the total amount of their sales, including hog and sheep products, and many others less important, as well

as beef. Thus, for the year 1904, the sales of Swift & Co. slightly exceeded $200,000,000 and the profits of the Company, according to its annual financial statement, were $3,850,000, including the profit on Private Cars, or about 1.9 per cent. of the volume of the business. During the three years 1902, 1903, and 1904, the profits of this Company have in no case exceeded two per cent. of the sales.

"Again, the general financial statement of the Cudahy Packing Company shows, for the year 1904, 660,000,000 pounds of products of all sorts shipped and sold from the packing-houses, and a profit, including that on car lines, of $927,969, or less than one-seventh of a cent per pound. The sales during the same year were $50,828,639, the profit representing thus 1.8 per cent. of the volume of business."

These statements have been used as if they meant that the total annual profits of all the packing-houses were only two per cent. on their capital invested. The two per cent. assertion in the report has reference only to the sales of the Daylight Organization; that is, to the sales of Company No. 1 to Company No. 2. Mr. Powell has demonstrated that the real profit on sales (Daylight and Dark Lantern) is fifteen per cent., and that this profit is turned over every two to four weeks, or twelve to twenty-four times a year.

5. *As to the profits of the Private-Car-line graft.* The report says these are from fourteen to

seventeen per cent.—and nothing else it says is more tiresome to those that know the facts and would fain treat seriously of a serious subject. The complete refutation of this absurd statement is quickly found in a document so easily accessible as a report of the Inter-State Commerce Commission. There Mr. J. W. Midgley (who, if he had been asked, could have told Mr. Garfield the whole story of this gigantic robbery) has demonstrated from official records that the average mileage of the refrigerator cars owned by the packing-houses is 135 miles a day.* Now the mileage rate is three-quarters of a cent a mile east of Chicago, one cent a mile west of Chicago as far as El Paso, Albuquerque, and Ogden, and three-quarters of a cent the rest of the westward haul. Call it an average of eight-tenths of a cent a mile. At 135 miles a day that is $1.08 a day, or $394.20 a year. The railroads make most of the repairs on these cars and make them gratuitously. Charge off $30 a year for other repairs, six per cent. for deterioration, and $4 a car for general expenses (see Inter-State Commerce hearings), and you have $324.20 annual net profit for each car. The cars cost $650 to $700 each, and from mileage alone each pays for itself in a little over two years. As to the cost to build, Mr. Garfield can easily find a firm in Chicago that will undertake to furnish any number of them for $700 each, and will sublet the contract at that.

* Inter-State Commerce Hearing, Private-Car Inquiry, page 8.

I know one of the refrigerator-car lines, now absorbed by the Trust, that used to declare forty per cent. annual dividends, and they were made from mileage.

Indeed, all these profits represent nothing but mileage. Mr. Garfield, or the attorney that prepared his report, skilfully ducks the "icing-charge" swindle. He does not mention the fact that these cars, which earn their investment in two years, also run, 40,000 of them, to every corner of the country, extorting monstrous sums under the guise of "icing charges." He does not mention the fact that one of these cars in four trips from Humboldt, Tenn., to Chicago pays half its cost with only the "icing charges" it earns, to say nothing of the mileage. He avoids suggesting that the "icing charge" is a monstrous imposition, a heavy burden on producer and consumer, and a source of profit to the Trust estimated at $72,000 a day. But all this would seem to be indispensable to any fair consideration of the Beef Trust.

6. *Car mileage and beef prices.*

Calculations as to the effect of car mileage on beef prices to the consumer are all bosh. Whether the profit on car mileage is four cents a hundred pounds or four mills a million tons is not worth a moment's thought. The real point, over which this report skates with airy ease, is that the privately owned car in the dressed-beef trade is merely a disguise for illegal railroad rebates, that it was de-

signed for that purpose and none other, that it is and was merely a way to cover lawbreaking, and that the breaking of the law at which it connived enabled the Trust to be formed, competitors to be crushed, and the people to be robbed. The private refrigerator car meant $15 rebate on every car-load of beef shipped from Chicago to New York. The houses in the combination got that rebate; their competitors did not get it, and that ended the competitors. If we are to have Government reports we might as well have them tell the truth.

7. *As to overcapitalization.*

Nobody knows what is the real capitalization of the real Trust. Copartnerships are not obliged to make reports about capital nor to open their books. Mr. Garfield means that of the hundred concerns engaged in this combination the six that were chosen for his edification are not overcapitalized. What is overcapitalization? I know a railroad stocked and bonded at $64,000 a mile and worth $16,000, and all its officers and directors solemnly declare that it is not overcapitalized. According to the familiar corporation ethics, nothing is overcapitalized that pays good and regular dividends. At best overcapitalization is a merely relative term. But if Mr. Garfield means the issuing of unnecessary stock, or of stock not founded on actual property, I can find plenty of that for him in some of these companies. Our old friend, the C. F. T.

(California Fruit Transportation), which, it will be remembered, was taken over by the Swift interests without the expenditure of a cent, was absorbed into the corporation of Swift & Co. at $10,000,000, and if Mr. Garfield had read the appendix to his own report he would have seen abundant evidence that this is by no means an arid region; there is plenty of irrigation.* But all these things are very idle. Mr. Garfield, at the most, is dealing with a small and unimportant part of the real combination, he is dealing with only the public corporations of the Daylight Organization, and about the capital actually employed, as about its use, distribution, and profits, there is not a trace of information in his report.

8. *As to complaints.*

I quote these amazing statements from the report:

"If the cattle-raiser can get his animals killed and delivered to the consumer at not much more than $1 per head over and above the actual operating expenses, he apparently has little reason to complain." Page 268.

"If the consumer has to pay to the packer not over one-fourth of a cent per pound for dressed beef over and above the actual operating expenses, he has also comparatively little reason to complain." Page 269.

* See particularly in the Appendix the list of subsidiary companies and their capital.

There are two plain conclusions to be drawn from this. The millions of farmers and stock-raisers, and the ruined bankers, shippers, and producers that for the last two years have been bitterly complaining, are merely crazy, and the great body of consumers that is groaning under the increased cost of meat are all lunatics. Cattle are cheaper, meat is dearer, and neither cattle-raiser nor consumer has any reason to complain!

The true nature and purpose of these remarks may be gleaned handily by comparing the sweet emollients thus offered with the following statement from page 23 of the "Summary" that introduces the report:

"On the other hand, these concerns slaughtered nearly ninety-eight per cent. of all the cattle killed in the eight leading Western packing-centres, namely, Chicago, Kansas City, South Omaha, East St. Louis, South St. Joseph, Fort Worth, Sioux City, and South St. Paul. Their proportion of the beef cattle purchased in these eight markets is somewhat similar, because, especially at Chicago, a considerable number of cattle are bought by other concerns for shipment alive to Eastern points and to Europe, where they are slaughtered."

That certainly sweeps the deck so far as the complaints of the cattle-raisers are concerned. If ninety-eight per cent. of the cattle slaughtered in these places are slaughtered by the Big Six, then so far as these places are concerned the Big Six con-

stitute the market there, and as these places are the only points to which the cattle-raisers in the vast area of the West, Southwest, and Northwest can ship their cattle, this amounts to a confession that the complaint of the cattlemen is perfectly true, and their market is absolutely in the hands of these firms. The gentleman who wrote the "Summary" should have read the rest of the report. He could have gained from it much information likely to restrain his flowing pen within the limits of a useful consistency.

But at best I do not know what place comments like these may have in a Government report. I do not know what business it may be of the Commissioner of Corporations to defend any combination of capital from the complaints of the public. I call attention to the fact that, while Mr. Garfield is playing the attorney for the Beef Trust, he has utterly neglected these essential points in the subject he was sent to investigate:

The National Packing Company demonstrates the existence of a controlling combination in the beef industry;

Competition in the buying market has been destroyed;

Competition in the selling market has been destroyed;

Cattle are cheaper;

Meat is dearer.

And with these most certain, most obvious, most

undeniable conditions, this astonishing report does not deal at all.

Surely this is a most extraordinary document to be issued from an office of the National Government. Have we heard before of a Government department thus palpably and openly seeking to defend a lawless combination, and misstating, coloring, and distorting the facts about it? Or have we ever before had advice from a Government bureau to consumers not to complain of the prices they pay, and to producers not to complain of the prices they get? How does it happen that this defence is issued just at the time when it is most needed for the packing interests? And how does it happen that the document has this peculiar aspect of the astute legal mind making a difficult argument, this airy skimming of dangerous facts, this agile turning of hard corners, doubling and twisting in and out among the air-holes?

CHAPTER X

HOW THE CONSUMER COMES INTO THESE PLEASANT OPERATIONS

IN the three years ending January 1, 1905, the value of the beef cattle of the United States declined $163,000,000.

I call attention to this fact, officially reported. It is pivotal. The whole discussion turns upon it.

The value of cattle has declined. Has the price of meat to the consumer declined?

I print here tables from the retail markets of different cities. They do not show that meat has become cheaper. They show that it has become steadily dearer.

Here, then, is the great, significant truth we are to face: The cost of the raw material has diminished. The price of the finished product has increased.

In the history of commerce no such condition has existed without designed and abnormal control and manipulation. Without abnormal manipulation no such condition would be possible. If the cost of the raw material and the cost of the finished product had kept some measure of relative pace, one ignorant of or blind to the operations of this

Trust might assert that raw material and finished product together had merely taken part in a world-wide movement of rising prices. No one can say that now. The discrepancy is too glaring. The raw material is cheaper; the finished product is dearer. In view of this fact, what shall we think of those laborious arguments by which a Government department tries to show that this Trust is no Trust, that the packers' profits are very small, that the public has no reason to complain? Where are the "books" now that will explain cheap cattle and dear beef? And of what value are any "reports" against the certain, plain dollar-and-cents experience of every householder in the country?

Suppose we consider him for a moment, this householder, this unrepresented consumer, who has no Government agents to plead his cause, no hired attorneys to distort and color facts, and no great campaign subscriptions to dispense, but still must bear the eventual burden and provide the eventual profits.

This packers' combination fixes for him the retail price of meat as surely as it controls for the farmer the price of cattle.

How? In this way. The business of the Trust includes distribution as much as manufacture. We have seen the profitable part played in distribution by the refrigerator car. The next thing to consider is the branch house to which the refrigerator car runs.

In almost every town in this country you will find one or more of these establishments—probably their signs are familiar to you—"Swift & Co.," "Morris & Co.," "Armour & Co.," "Hammond & Co." Their function is chiefly to receive and pass on to the local butchers the products of Packingtown, though in some instances they are retailers and deal directly with the consumers.

As a rule the local butcher or retail meat-dealer is wholly at their mercy. He must buy only of the Trust, he must abandon his own slaughtering, he must keep the peace with his masters, or off goes his name from the credit list.

He is, in fact, not much more than a compulsory servant of the Trust.

This state of perfect control was not attained without a struggle. Time was, of course, when the butcher did his own slaughtering, when he managed his own business. He did not gracefully yield his prerogatives. Two compelling circumstances brought him to a realizing sense of his position. The first was that in the new conditions he usually found it difficult to get supplies of cattle. The next was that if he was obstinate, or delayed his surrender, the Trust opened a shop next door and drove him out of business by underselling him. Instances are on record (as in Chicago) where meat was actually given away in order to bring a heretical butcher to the true Trust faith. Sometimes, as in the recent episode at Findlay, Ohio, the Trust

RETAIL MEATS

IN NEW YORK

	Oct. 21, 1900	Oct. 21, 1902	Oct. 21, 1904	April 28, 1905
Porterhouse Steak, per lb.	$0.20	$0.22	$0.24	$0.28
Sirloin Steak	.16	.18	.20	.24
Round Steak	.14	.16	.16	.18
Chuck Steak	.08	.10	.12	.12½
Prime Rib Roast	.18	.20	.22	.24
Prime Pot Roast	.12½ to .14	.14 & .16	.16 & .18	.18 & .20
Pot Roast, other grades	.07 to .10	.08 to .12	.10 & .12	.10 to .14
Leg of Veal	.12½	.14	.14	.18
Veal Cutlets	.18	.20	.22	.25
Veal Chops	.14	.16	.18	.20
Hindquarters Lamb	.16	.18	.20	.22
Leg of Lamb	.12½	.14	.14	.16
Leg of Mutton	.10	.12½	.12½	.14
Saddle of Mutton	.12	.14	.14	.16
Rump Corned Beef	.10	.10 & .12	.12 & .14	.14 & .16
Plate Corned Beef	.04	.05	.06	.07
Soup Meat	.08	.10	.11	.12
Ham, best grade	.12	.13	.14	.18
Bacon, canned, rindless	.20	.22	.24	.28
Bacon, other grades	.14	.16	.18	.22

RETAIL POULTRY

Phila. Roasting Chickens	.16	.18	.20	.22
Phila. Broilers, per pair	.75 to 1.00	.90 to 1.00	1.00 to 1.25	1.25 to 1.50
Soup Chickens	.10	.10	.12½	.14
Ducks	.18	.20	.22	.22

RETAIL EGGS, BUTTER, AND CHEESE

Eggs, per dozen	.18	.18	.30	.20
Phila. Print Butter	.32	.34	.36	.38
Elgin Creamery Butter	.30	.32	.34	.36
N. Y. State Butter	.19 to .23	.20 to .24	.23 to .28	.26 to .30
N. Y. State Cheese	.15	.16	.17	.17

THE CONSUMER'S BILL

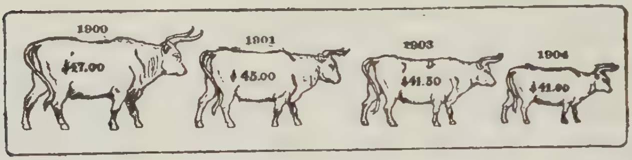
Table showing how the retail prices of food have increased in four and a half years in New York City—typical of the increases throughout the country.

found itself fighting all the butchers of a town. These contests had and could have but one end. How could a local butcher with a capital of two or three thousand dollars and no way to utilize his by-products compete against such a monstrous force? Even where, as in the famous case at Des Moines, Iowa, the local sentiment was all with the contending butcher, where the townspeople pledged him their continuous support, the magic of cheaper prices proved irresistible, the rebel found that he was making a hopeless fight.

A notable exception occurred in San Francisco, where pluck and persistence once wrought upon the Beef Trust its only conspicuous defeat. The Trust had erected a plant and, with cheerful confidence, had undertaken to seize the meat traffic there as elsewhere. It awoke one day to the consciousness that it was facing an opponent it could not awe nor tame. The city butchers were solidly united, determined, and ably led. The public was aroused; its sympathies were wholly on the side of the butchers. The people of San Francisco have convictions in favor of transacting their own business in their own way, and they seem to entertain much doubt as to the essential benevolence of monopolies. Plain intimations were made that if the Trust attempted in San Francisco the methods it had pursued elsewhere, results (I translate freely) might follow inimical to the highest physical welfare of the Trust gentlemen. There must have

been some convincing emphasis in the manner of this assurance, for at once the Trust practically retired from the field. I understand that the retiring-movement was accomplished in haste and not exactly in what might be called good order. The attacking party has never returned. To this day the San Francisco butchers remain in peaceful possession of their own trade, and their city is the only city in the country that is independent of the Trust.

Now, of course, it is not for purposes of hy-



CARTOON SHOWING DECREASING PRICES PAID FOR CATTLE BY THE BEEF TRUST TO THE PRODUCER SINCE 1900.

giene that, with great trouble and expense, the control of the retail markets is thus sought. Business is business. If it be worth while to dominate a market the real recompense lies in the profits therein, which must be derived from the consumer. And to see the extent of the consumer's interest in these matters we must remember that to him come home at last, not only all the manipulations of the cattle and beef markets, but all the transactions of the Great Yellow Car, and all the burdens of which the fruit and vegetable growers complain. Every dollar of the unjust "icing charges" must be paid by the consumer; all the bedeviling of the dairy-

products market is, in the end, his sole affair. That it costs $84 to ice a car from Tennessee to Chicago is really nothing to the tomato-grower in Tennessee. The man that eats the tomatoes is the man that pays the extorted tribute.

Besides dressed beef, veal, mutton, lamb, fresh pork, salt pork, hams, bacon, shoulders, shanks, sides, pigs' feet, fresh meat of all kinds, the products of which we naturally think when we speak of the Beef Trust or the Meat Trust, here are some of the things dealt in by the members of this combination:

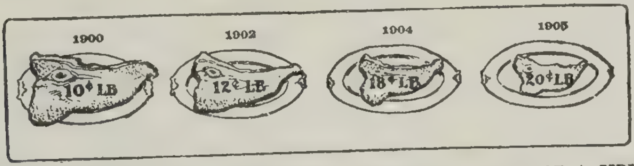
Live Poultry.
Dressed Poultry.
Butter.
Eggs.
Cheese.
Lard.
Apples.
Potatoes.
Cabbages.
Tomatoes.
Turnips.
Onions.
Cranberries.
Other Berries.
Oranges.
Lemons.
Beans.
Electric Light.
Refrigerator Cars for sale or rent.
Street Railroads.
Wheat.
White Grease.
Yellow Grease.
Other Grease.
Sausage.
Sausage-Casings.
Tallow.
Canned Corned Beef.
Canned Roast Beef.
Canned Tongue.
Canned Pork and Beans.
Canned Soups of all Kinds.
Veal Loaf.
Table Delicacies in great variety.
Bristles.
Glue.
Sandpaper.
Camel's-Hair Brushes.
Other Brushes.
Hair.
Hides.
Leather.

Oats.	Pepsin.
Corn.	Pepsin Tablets.
Rye.	Fancy Goods made of bone and horn.
Barley.	Toilet Soap.
Mess Pork.	Laundry Soap.
Beef Extract.	Hotel Soap.
Bank Credits.	Washing-Powder.
Butchers' Credits.	Fertilizers.
Butterine.	

Some of these commodities are handled at branch houses in small quantities on consignment and chiefly as an accommodation; in some it has a monopoly of the supply, and between are various degrees of interest and control. One of its latter-day achievements has been the building up of its trade in live and dressed poultry and dairy products. Of these it now controls more than half of the country's supply and obviously proposes to secure the remainder. Its operations in butter and eggs are very great and continue to increase. The railroads help it; they always help it. Independent dairy-product dealers have found sorrowfully how hard it is to compete with an institution that has not only rebates, but its own cars and multiform advantages in getting such cars handled with despatch. The independent dairyman hardly makes a meal for this giant when it starts to swallow him, and if he objects to being swallowed he is smothered with unfair conditions he is powerless to combat.

I may not take space to follow the intricacies

of the trade, but I refer for a moment to one as typical and indicative. Take fertilizers. To the North these are of no overwhelming moment; to the South they are indispensable. Cotton-growing demands fertilizers almost as much as it requires sunlight. Of the fertilizers available for use on the cotton-fields the Beef Trust is, practically speaking, the sole producer. In the last four years the price of such fertilizer has increased thirty per cent., but the cost of making fertilizers has not increased.



CARTOON SHOWING THE CONTRASTING INCREASE IN PRICE OF A SIRLOIN STEAK TO THE CONSUMER FROM 1900 TO 1905.

They are composed of cheap chemicals brought from abroad and of the refuse of slaughtering. The price of the chemicals has not varied; the cost of the slaughtered animals has decreased. But the price of the fertilizer has advanced, and again the burden that this entails, falling at first and solely upon the producer, comes at last to the people that buy and wear cotton goods.

But to return to the consumer's dinner-table. For the distribution of the Trust's dairy products, poultry, and vegetables, as well as of meats, the branch houses in the smaller towns are the efficient agents. They are marshalled and directed from

central points in the districts into which they are divided. Branch houses in large cities sometimes handle nothing but meat; in smaller places the poultry and produce business often exceeds the meat traffic. What they shall handle and how they shall handle it depend upon local conditions. No other business is more mobile or more ably managed. So far as possible the policy is to avoid collision with local prejudice and to introduce business gradually. But where a fight is unavoidable it is waged with great vigor and swiftness.

The system whereby this vast traffic is manipulated seems ingenious and well worth the attention of the curious student of modern economics. In the days before the agreeing gentlemen became the controlling factor in the situation every great packing-house strove to increase the number of its branches. Originally they competed; when the Trust was formed all competition naturally came to an end. Following precedent, we should look to see most of these houses closed and their trade consolidated, but this Trust is different. In many places the original branch houses still remain in nominal existence, but on close inspection it will be found that only one is actually engaged in seeking trade in dressed beef; the others are restricted in their real activities, in one instance to poultry, in another to produce, and so on. While there is no competition among them, their mere existence, their great staring signs, and their presumptive

RETAIL MEATS

IN PHILADELPHIA

	1900	1902	1904	May 2, 1905
Porterhouse Steak, per lb.	$0.21	$0.23	$0.24	$0.26
Sirloin Steak	.20	.22	.23	.24
Round Steak	.15	.16	.18	.20
Chuck Steak	.09	.13	.14	.15
Prime Rib Roast	.16	.19	.19	.21
Prime Pot Roast	.12	.14	.14	.15
Pot Roast, other grades	.08	.10	.10 to .12	.10 to .12
Leg of Veal	.12½	.14	.14 to .16	.16
Veal Cutlets	.18	.20	.23	.25
Veal Chops	.14	.16	.18	.20
Hindquarters Lamb	.16	.18	.18	.20
Leg of Lamb	.14	.16	.16 to .18	.20
Leg of Mutton	.10	.12	.14	.15
Saddle Mutton	.12	.14 to .16	.16	.18
Rump Corned Beef	.11	.12	.12 to .14	.14
Plate Corned Beef	.07	.08	.09	.10
Soup Meat	.08	.10	.10	.10
Ham, best grade	.12	.14	.14	.16
Bacon, canned, rindless	.22	.24	.26 to .28	.30
Bacon, other grades	.14	.16	.18	.20

RETAIL POULTRY

Phila. Roasting Chickens.	.16	.20	.24	.28
Phila. Broilers, per pair	.75 to 1.00	1.00	1.00 to 1.25	1.25
Soup Chickens	.12	.12	.14	.20
Ducks, best	.22	.26	.30	.35

RETAIL EGGS, BUTTER, AND CHEESE

Eggs, per dozen	.19	.20	.28	.22
Phila. Print Butter	.30	.30	.32	.36
Elgin Creamery Butter	.28	.28	.32	.34
N. Y. State Butter	.18 to .21	.22	.24	.28 to .30
N. Y. State Cheese	.12	.14	.17	.18

Table showing increase in retail prices of food in Philadelphia since 1900—typical for the whole country.

functions have practical use, for they serve to deflect adverse comment; to which, by the way, this combination is necessarily sensitive from the carefully concealed nature of its organization.

The real operations which here, as in so many other respects, are very different from the ostensible, are carried on through a division of territory. Thus, for example, the National Packing Company looks after a district in western New York lying about Elmira; Schwarzschild & Sulzberger have the anthracite-coal region; the Swift concerns supply certain districts in New England; the Armours have their own fields. The agents for one house do not enter the territory of another. In this way, while the form of distinct organization is maintained, the net result sought by Trust combinations, which is unified control of markets and prices, is attained with certainty and safety.

This division of territory, by the way, once came near precipitating a riot in the happy family, and even in these times of common danger the breach is not healed. In the anthracite-coal region allotted to the Schwarzschild & Sulzberger Company the labor unions are very strong. One of the most aggressive of the independent packers that still survive is Simon O'Donnell, of Pittsburg. Mr. O'Donnell would like to compete in the anthracite region with the Schwarzschild & Sulzberger Company. When the subject of bringing on the

RETAIL MEATS

IN CHICAGO

	Oct. 21, 1900	Oct. 21, 1902	Oct. 21, 1904	May 6, 1905
Porterhouse Steak, per lb.	$0.18	$0.20	$0.22	$0.25
Sirloin Steak	.10	.12	.18	.20
Round Steak	.10	.12	.14	.15
Chuck Steak	.08	.10	.12	.12½
Prime Rib Roast	.12½	.16	.18	.20
Prime Pot Roast	.08	.10	.12	.14
Pot Roast, other grades	.06	.08	.10	.12½
Leg of Veal	.10	.12½	.14	.15
Veal Cutlets	.12½	.15	.18	.20
Veal Chops	.10	.12½	.14	.16
Hindquarters Lamb	.10	.12	.14	.16
Leg of Lamb	.12½	.14	.14	.16
Leg of Mutton	.10	.12½	.12½	.14
Saddle Mutton	.10	.12½	.12½	.14
Rump Corned Beef	.07	.10	.12	.14
Plate Corned Beef	.04	.06	.06	.08
Soup Meat	.05	.06	.07	.08
Ham, best grade	.10	.12	.14	.15
Bacon, canned, rindless	.16	.20	.23	.25
Bacon, other grades	.10	.14	.16	.18

RETAIL POULTRY

Roasting Chickens	.11	.15	.20	.25
Stewing Chickens	.10	.11	.14	.15
Broilers, per pair	.70	.90	1.25	1.50
Soup Chickens	.10	.10	.12½	.14
Ducks	.11	.12½	.18	.20

RETAIL EGGS, BUTTER, AND CHEESE

Eggs, per dozen	.24	.26	.30	.24
Elgin Creamery Butter	.25	.30	.35	.30
Dairy Butter	.20	.25	.28	.23
American Cheese	.12½	.16	.18	.18

Table showing increase in retail prices of food in Chicago since 1900 —typical for the whole country.

Stock-Yards strike in Chicago was agitated, the Schwarzschild & Sulzberger interests opposed it. They believed that in the event of a strike they would be boycotted in the anthracite country and Mr. O'Donnell would succeed to their trade. It was with the greatest difficulty and only after many bitter altercations that they were induced to stand with the rest of the packers on the strike question, and the feeling then engendered still remains and is likely to be at any time a source of trouble. For the armor of this Trust, as we have seen, has a weak spot; it has common interests, but it lacks the cohesive influence of a division of profits.

Communication among the various houses as to prices and conditions, so that there shall be no conflict, is kept up through cipher messages. Each house is designated by a cipher name, and that name alone is used for it in letters as well as telegrams. Thus Armour & Co. are always designated as "Phenomenal," Schwarzschild & Sulzberger as "Phrase," Morris & Co. as "Phosphatic," and Swift & Co. as "Piaculous."

But even these precautions seem not always sufficient to secure the desired secrecy.

On April 9, 1904, the newspapers reported that the Inter-State Commerce Commission was to go to Boston to investigate rebates and Private-Car-line abuses, particularly among the packing-houses. On the morning of April 10th, the auditor of the Boston department of Armour & Co. received from

headquarters a long cipher despatch of instructions. Immediately thereafter the office force was ordered to pack into barrels all letters, telegrams, and records that might be of a nature to show the existence of a combination or understanding with the other houses. This work was done in hot haste, and that afternoon the barrels were shipped to South Framingham, where the Armour Company has a rendering-plant, and there the contents were burned in the furnaces. No hint of this interesting event is to be found in the report of Mr. Garfield, though to the unofficial mind it would seem of considerable significance. Subsequently the reported visit of the Inter-State Commerce Commission proved a false alarm; the Commission did not go to Boston. But the work of destroying the papers had been done in so much of a panic that many documents essential to the proper operation of the house burned with the rest, and I understand that for some time afterward the branch must needs be conducted largely on faith without works.

This is not the only instance where the handy furnace has been fed with documents pertinent to the Trust inquiry. When the Grand Jury began its investigation in Chicago and so many foreign shores were suddenly enlivened by the presence of certain Trust executives, a great many things besides coal went up in smoke. And when the Inter-State Commerce Commission was tracing the Pri-

vate-Car evil it had good reason to suspect that its labors had been similarly impeded.

But this Grand Jury was to have a hand in still other and far more important results, and as these illustrate in a new way the power of the Trust and its relations to the public, they should here be set down in detail.

The news that a federal Grand Jury was to investigate the Beef Trust and its alleged violations of the Grosscup injunction was published early in March. At that time the supplies of cattle were good; in fact, a little more than normal, running at Chicago from 57,000 to 64,000 a week. Hence, as the Lenten season was at hand, when the demand for meat is always lessened, a decline in the cattle-market was easily foreseen. The oldest observers in the market were astounded, therefore, when immediately after the announcement of the coming investigation the prices for cattle began to ascend. The first week saw an increase of twenty-five to forty cents a hundredweight. The following week this advance was repeated, notwithstanding increased receipts. The next week saw a further advance, until when the Grand Jury after March 20th was fairly at work, the average price of medium-grade cattle was $1.50 higher than before the rise began. *And this in spite of the fact that the cattle receipts for March were the largest ever known in that month.*

Now very singular circumstances attended these

advances. They were made when there was no shortage of cattle supplies in the country. They were without any discernible reason in market conditions. They were unseasonable. They were made in the face of very heavy receipts and at a time of reduced demand. They were most marked in the grades of which the supply was largest, and least on grades of which the supply was smallest; while medium cattle went up $1.50, prime grades went up only thirty cents. They were made just at the time when the Grand Jury was to meet, and just at the time when all the great conventions of cattle-raisers were to be held. When these meetings were past and the Grand Jury was approaching the end of its labors, although receipts largely declined, the prices fell. When the price of dressed meat had been advanced on the excuse afforded by the increased cost of cattle, the packers emptied their cellars of immense quantities of meat stored when cattle had been cheap, and on these sales, of course, secured enormous profits. Finally, and most curiously, the Illinois Feeding Company, a Trust-owned concern overlooked by Commissioner Garfield, seemed to have a strange intuition about the coming changes. Although for months it had been inert, it suddenly awoke just before the advances began, bought 60,000 cattle, and cleared on them about $12 a head.

These pregnant facts may dispose of any lingering notion that in the cattle-market changes of

price result from changed conditions of supply and demand or from anything but manipulation. In free markets prices do not rise with increased nor fall with diminished supplies.

But why should it be to the advantage of the Trust to have high cattle prices just at this time? For two reasons. In the first place there were those cattlemen's conventions. The cattle-raisers had been growing more and more irritated. The Garfield report was salt on their wounds, and it was

CARTOON SHOWING THE INCREASE IN PRICE OF CHICKEN TO THE CONSUMER FROM 1900 TO 1905.

openly declared that each convention would pass resolutions denouncing the Trust and the report. Any such resolutions at a time when the public mind was aroused on the Trust subject might have had extremely disagreeable results; but it is not in nature that producers shall be in a denunciatory mood when the price of their product is advancing day by day. Second, the coincidence in regard to the Grand Jury was still more important. The chief work of the Grand Jury was to find out if competition had been killed in cattle-buying. The only men that could testify about that were the cattle-raisers. Obviously it would be very much

better to have such witnesses in a good than in a bad humor.

No one need imagine that the rising market worked loss to the thrifty Trust. The average increase in the buying price of cattle was one and a half cents a pound. The increase in the wholesale price of meat was two and a half cents a pound. This increase the retailer naturally passed along to the consumer, and the first result of the Grand Jury's deliberations was that you paid four to five cents a pound more for your steak.

But when, in late April, the Grand Jury scare abated and while cattle receipts fell off, the price of cattle was reduced, the wholesale price of meat was not diminished, you got your steak for no less, and the packers' margin of profits was simply greater than ever.

You may be interested to know that the one city that fared the best in these increases was Chicago. The wholesale (and consequently the retail) prices for meat were not increased in Chicago until long after they had been increased in all the rest of the country, and, in fact, not until the trade in the rest of the country had begun to complain of the discrimination. But in Chicago the Grand Jury was in session.

It may be argued, I know, that the Trust needed the money. The extraordinary expense it had been put to by this troublesome Grand Jury was excessive. Counting the bills of all the gen-

tlemen that fled to Europe, the detectives that swarmed around the place where the Grand Jury met, the espionage of witnesses, the attorneys that were let loose on cattlemen's meetings, and the extraordinary newspaper advertising deemed advisable at this juncture, the cost must have been great. Hostile persons at the Stock-Yards have estimated it at half a million dollars. Possibly that is too high a figure. But whatever it was, no detective is needed to trace the source of the money. You can find that in your meat bill.

CHAPTER XI

THE REAL PROPORTIONS OF THE COMBINATION

IN its power to affect the business, happiness, and lives of millions of people, in its ramifications incalculable, in its strange ability to thwart laws and circumvent Government, this Trust excels all others. The amount of its capital directly and obviously employed in the slaughtering of cattle and the selling of meat is not so great as the capital employed by some other monopolies (by the Steel Trust, to name a conspicuous example), but the easily recognized business transacted by the Beef Trust amounts to more than a billion dollars a year, and when to these activities are added its myriad transactions not so easily discernible, here is to be seen a commercial force without a precedent in Trust history.

It has, besides, certain intimate, useful, and often unsuspected alliances that must be accounted with if we are to understand any part of its gigantic operations.

For this is no mere combination of a few firms to control one specific industry; here is no ordinary trade "merger." Here is something of propor-

tions so huge and possibilities so dazzling that the imagination flags in following the dizzy spirals of its plans; here is something that as far transcends the limits of other trade trusts as its influence exceeds the narrow boundaries of Packingtown. Back of the smoking chimneys and the wilderness of grimed buildings, back of the Bandit of Commerce and the other tangible manifestations of power, is the real combination, never seen and seldom heard of, that controls these and many other enterprises and represents the present limit of industrial concentration. More purposes than to dominate the buying and slaughtering of cattle and the selling of dressed beef has this great association; even more than the control of the supplies of produce. Of the most of its achievements no one hears until they are complete, and even then no one has perceived the workings of a machinery that extends from Wall Street through Washington to the Pacific Coast.

We should turn now to glance at this system and what it means.

The commanding business genius of the packing industry is Mr. J. Ogden Armour. Its great financier and diplomat is Mr. Charles G. Dawes.

Mr. Dawes is a new figure in these annals. He is also somewhat new to fame as a captain of enterprise. Probably not many of my countrymen know more of him than that he was long the efficient Controller of the federal Currency. Yet he

is truly a power in the land, he has the real qualities of greatness, and the imperfect justice so far done to his attributes arises from circumstances, not from lack of deserving. A quiet, reserved, thoughtful, courtly man, not fond of the limelight, not fond of popularity, he sits within the automaton and, unseen himself, makes upon the chess-board the great daring plays that spell success. No one that has met and observed this singular figure fails to be impressed with the force of his mind and character. Still young, good-looking, brown-mustached, in appearance one of these keen typical Americans, clean and clear-cut of feature, he has the long powerful jaw that upon a chosen proposition closes like a trap; cool, steady eyes; and that curious modern manner that is chilled steel overlaid with silk velvet; a manner strictly our own product and unimaginable upon another soil.

How does Mr. Dawes come into this story?

Mr. Dawes is a banker, also a politician. He was Controller of the Currency from 1898 to near the close of 1901, the time when the Beef Trust began to be organized. The Controllership of the Currency is in many ways a good job. It brings you into intimate contact with great financial interests, grateful banks, and observing managers of moneyed enterprises, and shows them your good points—if you have any. I do not now recall that any former Controller of the Currency in our history starved to death when he left office.

When Mr. Dawes resigned, in 1902, he was almost embarrassed by the flattering offers which he received to take charge of banks or money institutions in New York. He declined them all, returned to Chicago, and became the President of the Central Trust Company.

The Central Trust Company is the financial agency of the packing industry. It is a branch or an outgrowth of the Continental National Bank, and the Continental National Bank is owned by the packing-houses.

Here are some of the stockholders in the Central Trust Company:

J. Ogden Armour	$80,000
Edward Tilden, President of Libby, McNeil & Libby (Swift)	65,000
Patrick A. Valentine, Vice-President of Armour & Co.	80,000
A. J. Earling, President, Chicago, Milwaukee & St. Paul R. R.	73,000
Roswell Miller, Director, Chicago, Milwaukee & St. Paul R. R.	80,000
Jacob H. Schiff, of Kuhn, Loeb & Co., New York, financial backer of the Union Pacific and familiar figure in politico-finance	50,000

The other stockholders include Edward F. Swift and other members of the Swift family, S. McRoberts and C. M. Favorite, of Armour & Co., James M. Fowler, Frank E. Vogel, all engaged in the packing industry.

Also Frank O. Lowden, an active and promi-

nent director of the Pullman Car Company, and Republican National Committeeman from Illinois.

Also Graeme Stewart, influential Republican politician and in 1903 Republican candidate for Mayor of Chicago.

Mr. Dawes was Western manager and Western treasurer of the Republican National campaign in 1904.

By the leaders of his party he is most cordially esteemed. With Congressman Lorimer he is at the head of the Republican organization in the West. He is extremely well liked in Washington. Few men have greater influence there; his counsel and wishes are treated with the utmost consideration. Mr. Lorimer is also of great repute at the nation's capital. Mr. Dawes and Mr. Lorimer are close political associates. Mr. Lorimer is commonly called the Republican boss of Illinois. He has much to do with selecting delegates and controlling conventions. He is on terms of close friendship with the packers and one of their most ardent and industrious defenders.

One may safely assume, therefore, that if occasion should arise in which political influence could be of practical use to the packing industry, such influence might reasonably be expected to manifest itself. It also appears that the packing industry is quite well aware of the possible advantages of such influence. Cash contributions are the life-blood of political campaigns, and whatever may be

the ingratitude of republics I have never heard that it extended to political parties in power.

In 1896 the contribution of Armour & Co. to the Republican National campaign fund was $400,000, in three checks.

Furthermore, other connections and bulwarks of power exist here likely to cheer a packer's heart should the critical attitude of a world but ill attuned to the methods of high finance induce a mood of depression. In the Central Trust Company, the financial and diplomatic agency of the packing industry, for instance. Mr. Frank O. Lowden, who is a political protégé of Mr. Lorimer's, brings in the Pullman Car Company, with its great influence more than once exerted in Illinois and National politics. The Pullman Car Company brings in directly the Chicago Traction interests, the Baltimore & Ohio Railroad, Mr. J. Pierpont Morgan—and others. It involves an influence that came very near overturning the results of two elections in Chicago and has often dictated legislation in city and state. Indirectly it ramifies into the directorate of almost every great railroad in the country. Mr. Morgan is a director in the Pullman Company and chief owner of the Chicago Traction concerns. Mr. Jacob H. Schiff brings in Kuhn, Loeb & Co. and some of the most powerful interests in Wall Street. Mr. Earling and the Chicago, Milwaukee & St. Paul Railroad (in which Mr. J. Ogden Armour is a director and heavy stockholder) bring in

many strong financial interests East and West. *Directly involved are the identical forces that thrice compelled the Government to release its millions in Wall Street to relieve speculative embarrassment; and you can easily surmise what impress such forces can make should necessity arise.*

Moreover, all this is only the beginning of the story. Mr. Dawes is a controlling factor in the Union Gas and Electric Light Company, a gigantic corporation that owns a monopoly of the gas-supply in twenty-one American cities. Through Mr. Charles Hanna, a relative of the late Senator Hanna, he is interested in the American Lighting and Traction Company, the parent company of the great Electric Lighting Trust, one of the most powerful in the country and rapidly growing. The Armour, Swift, and Morris interests own the entire electric-light and street-car systems in many Western cities. They thus touch hands with the Electric Lighting Trust on one side and the traction alliance on the other. We have only to remember what the traction combination has done politically in Philadelphia, Harrisburg, New York City, and Albany to understand what this means. The Armour, Swift, and Morris interests are active members of the Cold Storage Warehouse Trust, of which too little has been said in our happy land, and in this singular combination some of the greatest and most famous American fortunes have invested. The Armour, Swift, and Morris interests

are also concerned in many banks besides the Continental National, in many financial ventures besides the Central Trust Company—and an examination of directorates reveals them in a chain of powerful interests which has its Eastern anchorage in two of the best known and most frequently mentioned banks in New York City, one of them famous for successful interference with Government affairs.

Finally, the Beef Trust owns the Leather Trust and has close connections, through the Neola Elevator Company, with the Grain Trust.

It is no wonder that in the shelter of all these millions and all this varied, incalculable, and irresistible political power, the kind of power that owns National conventions, chooses candidates, writes platforms, and dictates to Congress—it is no wonder that the Beef Trust has felt at liberty to do such simple things as to trample upon laws and to violate injunctions. Compared with the full scope of its schemes for such control of the nation's grain supplies as it now exercises over the meat and produce markets, injunctions are merest trifles. Packingtown seems reasonably enough to have adopted the motto of the late John Y. McKane. Over its entrance it might well engrave, " Injunctions don't go here."

Consider that the mere existence and the daily operations of this combination are in all states of the Union illegal, that they are absolutely prohib-

ited by the statutes of the United States and by court injunction, that practically nothing has ever been done anywhere to enforce the law or punish the offenders, and then ask yourself the probable cause of this strange immunity.

I will give two illustrations of it. In December, 1903, proceedings were brought in Missouri, under the state Anti-Trust law, against the firms composing the Beef Trust, charging them with a combination in restraint of trade. The state Supreme Court appointed Mr. I. H. Kinley, of Kansas City, a Special Commissioner to hear the cause. A trial was had before Mr. Kinley. Voluminous testimony was taken. In January, 1904, the Commissioner made his finding. He held all the accused firms to be guilty. A hearing was then had before the Supreme Court. On April 23d the court handed down a decision confirming the finding of the Commissioner, declaring the firms guilty and fining each $5,000.

So here, at last, was both an example and a definite basis for action.

The Missouri Anti-Trust law is similar to the federal Anti-Trust law. It is similar to the anti-trust laws of other states. What was done in Missouri might have been done in any other state in the Union where the Trust operates.

Not a move was made anywhere to follow the example of Missouri; the Department of Justice at Washington never turned a hand, no inquiry was

ever made for the testimony taken in the Missouri case, the Attorney-General never mentioned it. Nothing would have been easier than for the Department of Justice to order similar proceedings in a dozen federal districts, making use of the testimony taken in Missouri. The Department of Justice peacefully continued its slumbers.

In the other instance, the federal Grand Jury at New Orleans found eleven indictments against railroad officers for granting rebates and special privileges. These indictments were pigeon-holed. It seems that the Inter-State Commerce Commission once undertook to learn why they were pigeon-holed. In its fourteenth annual report it published the result of its investigations of this curious matter. It had found, says the report, that the District Attorney at New Orleans had, on instructions from the Department of Justice at Washington, allowed the indictments to lapse.*

It may interest you to know, as a pleasing corollary to such events, that the day after the packers paid their fines in Missouri the wholesale price of meat was advanced two cents a pound at Kansas City, so that in a few minutes the convicted packers not only recouped their fines, but were able to rake off quite an agreeable profit in addition.

In the interest of household economy, therefore, it may have been well that nothing was done to

* See pages 45 in the thirteenth annual report and 51 in the fourteenth annual report for this significant story.

punish the lawbreakers elsewhere. And possibly it was as a reward for thus valiantly protecting the cost of living in this free country that some of the public officers responsible for the inaction have received preferment.

I add here a very curious incident that may by the thoughtful be held not without significance:

In August, 1904, the Department of Commerce and Labor was engaged in an investigation of the packing industry, subsequently embodied in the Garfield report. One of the agents of the department, a man named Robertson, came to Chicago and busied himself at the Stock-Yards. He seems to have been under the impression that what was wanted was facts. He applied himself assiduously to gathering facts, and especially facts relating to the suppression of competition in the cattle-market. Now this, as I have tried to show in preceding chapters, is a particularly sore point with the packers, because it is so obviously and clearly a violation of the injunction. Mr. Robertson collected a great many facts that were damaging evidence. As in the case of the other agents of the department, every movement he made was closely watched by Trust detectives. Among the many departments of the packing industry, not the least efficient, as I have had much reason to know, is the Department of Secret Information. From my own experience I have no doubt that where Robertson went and whom he talked with, and an outline of what he

gathered, were fully reported day by day to the packers. Suddenly, in the midst of his labors, Mr. Robertson was recalled to Washington and Chicago saw him no more. Of the information he collected, some of it most important and instructive, there is not a trace, not a hint, in the Garfield report.

Why was Robertson recalled? I don't know. It has been publicly charged that he was recalled at the joint demand of the National Republican Committee and Mr. Charles G. Dawes, manager of the Republican campaign and financial genius of the packing industry. And these gentlemen have been challenged to deny the charge. And they have never denied it.

But, anyway, Mr. Robertson ceased from his labors in Chicago. What he discovered was never printed in the Garfield report and what was printed in that famous document did not cause the Trust the slightest uneasiness.

And all this happened in a National campaign.

CHAPTER XII

SIDE-LIGHTS ON TRUST OPERATIONS

WHEREVER this Trust goes and in whatsoever it deals and howsoever it operates, in great things and in little, it proceeds with utter indifference to any kind of legal restraint.

It is, for instance, in daily violation of the laws of the state of Illinois and has been for years. No step has ever been taken to enforce these laws upon it. No State's Attorney of Cook County has ever brought it to the notice of any Grand Jury. No state nor local officer has ever made the slightest effort to get evidence against it. I have good legal indorsement for the opinion that under the Illinois law alone, to say nothing of federal enactments, it would be quite possible to check, to disarm, or even to destroy this illegal combination. Yet the Illinois law, formidable against all other malefactors, against these is a dagger of lath, a thing of naught.

Let me tell you a little story to illustrate this strange power over the machinery of justice.

The Water Department of the Chicago city

government customarily issues every summer a series of frantic warnings to the inhabitants of the great South Side, telling them that they must be careful and abstemious about the use of the city water because there is very little of it. What? With all Lake Michigan at their doors? Yes, all Lake Michigan is at their doors, and yet of the precious stuff these people must use none to sprinkle lawns nor to lay the dust, and even with these restrictions and all possible care, dwellers in upper tenements may sometimes have not enough water wherewith to wash dishes nor their own hands. Parts of the South Side are densely populated. Sometimes the great southwest wind blows for days up from the black, baking prairies, the withering simoon of the West, and in the sweltering heat water is as necessary as air, and in the upper-tenement ovens women toil breathless up- and down-stairs with pitchers to get a few drops of the hoarded thing that lies in inexhaustible supply in the cool lake almost in their sight.

But why? Because the packing-houses steal the water. They steal it summer and winter, spring and fall, but in the summer the general consumption is the greatest, and then the results of the stealing become apparent and women toil with the pitchers.

Steal—harsh word, is it not? And you think I should not use it here, do you not? But observe: The thieving is perfectly well known and has been

for years. The packing-houses must needs use vast quantities of water, especially in summer. Some floors must be kept constantly flooded with running water: many streams must always be playing where the slaughtering goes on. Water is a great matter in Packingtown. Now in Chicago the city owns and operates the water-supply. Large users of water are supplied through metres and pay according to the amount they consume. For a long time the small sums paid for water by the packing-houses had aroused annual comment. The initiated, to be sure, understood well enough why the payments were so small, but the general public is not usually in the initiated class. In 1900 the uninformed public broke out into such general clamor about the obvious leakage that the city authorities (somewhat belatedly, one would think) began an investigation. Men with pickaxes and spades uncovered the public mains about Packingtown. Before long they had discovered that every considerable packing-house had secret connections with the water-supply. There were pipes of various sizes, three inch and four inch, six inch and eight inch, each leading from the city's conduits to the works of some packing company. In some cases tunnels had been driven under the streets to the mains, and taps inserted. In one case the mains themselves had been diverted from the highway through the works, and on these city-owned pipes one firm had planted three great pumps, busily engaged in drawing

water. And for all this supply thus surreptitiously obtained the packers paid not a cent.

The facts about these discoveries were incontrovertible. The men with the pickaxes laid the illegal connections bare to the daylight; anybody might go and see them. Seven secret pipes were discovered leading into the Swift plant; practically every packing-house was shown to have like connections. A twelve-inch pipe ran the entire length of Packingtown and was illegally tapped wherever water was needed. In some places, as the work progressed, fresh excavations were found, and secret pipes that had been hurriedly broken off and removed. Former employees of the packers told how the connections had been made at night and by gangs of men instructed to silence. First and last, probably fifty illegal connections were found. One of them was an engine with two valves, one labelled "City Water" and the other "Cistern Water," and the "City-Water" connection was an eight-inch pipe through which the water was stolen. In one packing-house the city authorities broke off and sealed up its illegal conduit, and instantly on the metre the registration of paid water jumped from 5,000 cubic feet to 34,000 cubic feet a day.

Great indignation followed when the public learned the real reason for the short water-supply, and for the packers' small payments to the water fund.

But here a very curious circumstance was to be

observed. The chief offenders were the greatest houses. In the cases of the small packers, the city excavators relentlessly bared the whole of the illegal connections; in the cases of the Swift and Armour companies, the work invariably stopped at the line of the Swift property or of the Armour property. Some mysterious power always seemed to make it impossible to excavate farther; the pick-axes turned in the laborers' hands, the spades refused to be worked beyond the border line of these sacred possessions; a mystical spell seemed to dwell there always. Some persons protested and complained; they might as well have raved against the wind. It was easily possible to excavate on all other soil; on Swift or Armour ground neither strength nor skill could make an impression. What excavating had been done outside of this magic circle showed plainly enough where the water-pipes led; the last link of legal evidence that would have convinced a court was always (in these cases) missing.

But the public demanded some action about the water thefts; some one must be punished. "Certainly," shouted the State's Attorney's office, virtuously excited, "some one must be punished!" Presently it produced the horrible villain and with loud acclaim and much smug satisfaction led him to the altars of sacrifice. And who was he? One Harry H. Boore, a mild, inoffensive gentleman, manager of the Continental Packing Company.

Now, the Continental Packing Company, a small independent concern, was at that time hanging by three fingers to the gunwale of existence; a good smart rap at any time would have knocked it off into the Trust maw, where, by the way, it now reposes. The amount of water that this concern had stolen was small, and of the thieving, Mr. Boore probably knew as little as any other executive in Packingtown. Nevertheless he was haled along, indicted, tried, and on February 18, 1901, he was convicted of stealing $14.96 worth of water. And in this august and terrible manner did Justice shake her sword and vindicate herself in Cook County. This was the beginning; also the end. Mr. Boore, it is almost superfluous to say, did not go to the bridewell. On July 10th another court granted him a new trial. Whereupon his indictment, with the indictments of four others, as obscure as he, was allowed to glide conveniently into the Saragossa sea of forgotten things, whence it has never returned.

And how about the big thieves, the companies with the eight-inch pipes and the companies with the pumps? Good sir, or madam, do not distress yourself about these; they went their placid way unharmed. The illegal pipes remained as before; also the pumps, in good working order. The diverted city mains were not restored to their proper positions; the fraudulent connections continued to perform their useful functions, the thieving taps

were not discontinued, summer after summer the Water Department repeats its frantic warnings, and tests recently made with a pitometer showed that the water stealings in Packingtown amount to one billion gallons a year.

Strange? Not in the least. Any other condition would be strange. The great packing-houses are, and always have been, independent of and superior to law. If they were amenable to law, could they continue to dose products of theirs with preservative chemicals injurious to health? How are they able to dodge the statutes governing under-billing and inspection? How do they avoid paying the state of New York the millions they owe it for butterine penalties? How did they manage to emerge unharmed from the terrible "embalmed-beef" revelations of the Spanish War? How did they escape prosecution when more American soldiers fell before their deadly beef than were hit by all the Spanish guns? How did they control the Government on that occasion? How have they controlled it so often since? The Standard Oil is, of course, a very efficient Trust. But you have not known even the Standard Oil Company to exercise a power like to this. The Standard Oil Company usually conforms to at least a semblance of law; it has never openly defied injunctions, trampled on statutes, and dictated to National, state, and city governments.

We have laws to secure for us pure food; we

have laws for the inspection of meat products. In Packingtown these laws are a jest. Every year there thousands of cows that never should be slaughtered are cut up for food. Go there as a visitor, and neatly uniformed attendants escort you through a corner of the works where butchers in immaculate attire perform for the delectation of the grand stand, and believing you have seen slaughtering, you marvel at the exceeding neatness and cleanness of everything. You have seen a show, you have been at a play. The real work is done where no outsider can see it; attempt at any point to wander from the beaten path and see how swiftly you will be driven back. Policemen and watchmen guard every avenue. You shall see nothing but what the Company is willing to show you, the play-actors with their white aprons, the girls in neat dress. I put aside now all the London *Lancet's* terrifying allegations concerning the dark secrets behind this carefully arranged stage. I merely observe, first, that the nation's slaughter-house is conducted in absolute secrecy when it ought to be in the broad day, open to any inspection; second, that the vastly increased use of chemicals in our meats, boric acid, borax, formaline, is a demonstrated fact; third, that aside from all this, the average quality of the beef cattle slaughtered in the United States has declined twenty-five per cent. since the Trust began its operations, and solely because of the Trust.

Preservative chemicals are cheaper than refrigeration.

Since the Trust has been manipulating the prices of cattle, driving prices down in the face of scanty supplies and overturning all possible calculations of the market, feeders will no longer keep cattle the length of time required to put them in good condition. This simple matter is of the utmost importance to the people of the United States; it has the scantest attention. To fit Western range (feeder) cattle for the market, they should be fed at least six months on corn. They were so fed six months or more until the Trust began to play tricks with the market. But six months' feeding involves a greater expense than the manipulated prices of cattle will bear. Consequently the feeder now markets his cattle on three months' feeding or less, and the consumer gets inferior beef. Very few prime cattle are now to be had in the Chicago market. The Trust does not care. Its profits are greater on inferior stock. By the use of preservatives it can make inferior meat stand transportation, and as it has no competition and no law to fear, why should it bother?

This is the price that in our happy land we pay for Trusts. We seem determined to have them, but it must be admitted that at times the bargain seems dear.

CHAPTER XIII

HOW GRAFT BEGETS GRAFT

TOLLESTON is a water-tank, a whistling-post, or something of the kind, on the Pennsylvania Railroad, also on the Michigan Central, about twenty miles east of Chicago. The name is sweetly sonorous and suggestive of rural comfort and the fruits of the earth, but the country around this Tolleston is nothing to boast of, being, in fact, dismal barrens, desolate sand-dunes, and wind-bitten scrub-oak. If anybody lives thereabout the curious passenger on the flying express train can for miles discover no infallible sign of his race. Something, indeed, suggests the work of human hands in the wide straight wales or openings that seem to have been cut at regular intervals through the scrub-oak. Yet even these are not convincing. They cannot be roads, for they bear no wheel-marks, they have never been travelled upon. They cannot be even paths, for there are no people to tread them. The only certain conclusion about them is that they once were and now they are relapsing to the state of primeval wilderness.

Thus the untutored traveller. But now and then

some one rides that way on a train, and looking upon the Tolleston sand-dunes and wide wales, he smiles grimly, for they recall to him a singular chapter in corporation history. But this is a man with a memory and a knowledge of old stories, and such be few. As a rule Tolleston and environs provoke no mirth, only weariness and thirst, for they have a dry look.

Yet Tolleston narrowly escaped being one of the industrial centres of America, a rival of Chicago, perhaps; certainly, a great busy city. Barren Tolleston, weary and dry Tolleston, Tolleston the whistling-post among the sand-dunes, the water-tank on the trunk lines, grazed that magnificent destiny and missed it chiefly through the agency of Chauncey M. Depew and one other.

It is not to relate anecdotes of Depew that to Tolleston I strive to give here what fame I may, but the incident in which he figured is a pertinent illustration of the Trust and the way it does business (and people), and the kind of a power it is, and the pleasant ways of money-grubbing that have endowed us with the blessings of dear meat; and this is the place to tell it.

Whichever way we turn in this story, from the "icing-charge" piracies of the Private Car to the arbitrary control of the cattle-market, there is but one prospect, and that is graft.

Now, in the case of the Chicago Stock-Yards the graft is good and of many kinds. The yards

are the largest in the world. They handle more live stock than any other yards; they return more profit to their owners. When they were established, 1865, the site was bought for $1,000 an acre; now it is worth almost as much as land in the business centre of the city, distant five miles. At the end of the first year the enterprise might have been worth half a million dollars; at present it is worth $40,000,000 or nothing, as the next few months will determine.

The yards exist to facilitate (for a consideration) the exchange of cattle between grower and shipper or packer. For this service (that is, for providing a place to which cattle can be shipped and where they can be sheltered and marketed), the Stock-Yards Company charges a fee called "yardage."

The "yardage" on cattle and horses is 25 cents a head, on hogs 8 cents a head, on sheep 5 cents a head, on calves 15 cents a head.

The receipts of cattle in 1904 were 3,259,185; of hogs, 7,238,746; of sheep, 4,504,630; of calves, 267,499; of horses, 105,949. So it will be seen that "yardage" is a good thing for the Company. Last year it yielded $1,687,000.

"Yardage" is only one of the Company's good things. It has, for instance, a rule that live stock entering its yards can be fed with only the food that it supplies, and it supplies corn at 75 cents a bushel and hay at $20 and $25 a ton. In the market corn costs about 40 cents a bushel and hay $10 a ton.

Much feed is required. The business (for the Company) is good. Moreover, the cattlemen must accept the corn as measured and the hay as weighed by the Company's agents, and there has been complaint that these measures and these weights are not always the measures and weights of commerce.

There is also good money to be made from the rentals charged by the Company. It owns on its property the group of buildings occupied by the Live Stock Exchange and by the offices of all the commission men that do business at the yards. Considering the cost of land and construction, these are probably the most profitable rented buildings in America. It also owns a hotel, some stores and other enterprises, and from all these the income is ample.

For many years "yardage," feeding charges, and rentals formed the Company's income. Ten or twelve years ago it was thought that the traffic would bear a new imposition. I must explain here, if you are not already familiar with the fact, that in all these operations, including all railroad tariffs, there is no such thing as making a rate on the basis of a fair return for a service rendered. The one idea is to gouge from the traffic all that the public is likely to endure without rioting. So for the benefit of the poor but deserving Stock-Yards Company, somebody devised an additional tax called "terminal charges." I may assure you in passing that there is no sense to "terminal charges," no rea-

son for them, no justice in them. They have been declared illegal by the Inter-State Commerce Commission and the Supreme Court. They represent no service performed nor facility afforded; they represent nothing but the ability to extort—and the opportunity. When " terminal charges " were proposed at the Stock-Yards, the railroad companies were at once all attention; here was something in their line, here was a game of hold-up in which years of practice had made them expert. They insisted on getting a share of the loot, and by some of the hocus-pocus of high finance so managed things that when the extortionate " terminal charges " were finally fixed at $2 for every car of live stock received at the yards, a partition of the spoils was arranged so that the railroads and the Company each got about a half, varying in different cases. Which, considering the annual receipts of about 300,000 cars, amounts to another good thing.

The net results of all this excellent business are such that on the former basis of capitalization the Union Stock-Yards and Transit Company would now be paying forty per cent. dividends, or more.

The Chicago Stock-Yards are not (as yet) owned by the packers, but by a separate corporation in which the packers have no voice. The chief owners are the Vanderbilts; the president of the owning corporation is Chauncey M. Depew. Between the owners and the packers smolders an old feud—

business. Years and years ago the packers clearly perceived the enormous possibilities, graft and legitimate, of the Stock-Yards, and decided that they needed the property in their business. In their own Stock-Yards elsewhere they had tasted the sweets of "terminal charges" and "yardage," of feeding charges and high rentals, and the savor was like blood to a tiger. They made repeated and desperate efforts to get the property, and in 1890 approached the Union Stock-Yards and Transit Company (a title then in familiar use) with a proposal to purchase. The Company regarded the offer with amused astonishment. Sell a mint like that, a machine that coined money? Well, not exactly. Here was something that paid thirty per cent. a year and had the certainty of increased returns. Should poor men part with a good thing like that?

So the packers, who had probably foreseen exactly such an answer, proceeded to other plans.

Mr. Nelson Morris moved first. He bought an area of land to the south of the old yards, and sent agents about the West announcing that he was to conduct an independent stock exchange, and all shippers that wished fair treatment and no commissions had better send their cattle and hogs to him. The news to the stock-raisers was like rainfall in a desert. Competitive stock-yards they had sometimes wildly dreamed of, but had never hoped to see. So Mr. Morris's venture was loudly applauded in those regions. Nevertheless, it was of few days and full

of trouble. I may say that to the railroads, enlisted through the Vanderbilt influence in support of the old yards, Mr. Morris was easy; they made short work of him, and by the simplest of maneuvres. They merely refused to deliver to his yard the cars that had been shipped thither. They said they did not recognize any such place as the Morris yards, and calmly hauled all cars to the old terminal. If Mr. Morris wanted them he must come and get them and pay switching charges. The Morris venture did not survive the shock.

Meanwhile the Armour and Swift people had been wiser, for they had bethought themselves of Tolleston, magic name. So they bought at Tolleston, and cheaply, a vast area of sand-dunes and barrens and announced that they were about to move their whole Chicago plants thither.

The news was not welcome to Chicago. It meant the closing of the city's most important industry and an enormous loss in business and population. The packing-houses employed at that time 25,000 men, and that meant a population of about 125,000 to be lost in one lump and transferred to another and eventually a rival place.

But if the city at large looked with extreme disfavor on the project, a part of the people prepared to derive from the untoward situation whatever consolation may lie in profits. Speculative Chicago went mad about Tolleston. Lots in Tolleston commanded high prices. Day by day special trains

of possible purchasers steamed to Tolleston, and armies of men tramped over the sand-dunes choosing the sites for their new possessions. The entire region was speedily plotted, streets and boulevards were laid out, those wide wales were cut through the scrub-oak, and a magic city began to take form on paper, fairer than all the cities of the plain. But other forces were now at work to make history and to work ill to Tolleston. The change of the packers' base meant a blow to Chicago, but it spelled plain ruin to the Union Stock-Yards Company. If the packing-houses were to be at Tolleston, no Stock-Yards could exist in Chicago; thither would come not one hundred cattle a week, and the goodly graft would be lost forever. At first the Company tried to put on the guise of one that hears and does not care, but two men in that contingent were too much alarmed to indulge in fatuous hopes that something would turn up to help them out of their hard lot. These were Chauncey Depew and Mr. Nat Thayer, of Boston. Mr. Depew set his wits to work to devise a way out, and from his thinking came many sweeping changes. In the meantime the office-boys of Jersey City had been resorted to; a new corporation, the Chicago Junction Railways and Stock-Yards Company had been organized; the old Union Stock-Yards and Transit Company absorbed therein, and a beautiful crop of stocks and bonds blossomed from that fruitful and well-watered soil. There was $6,500,000 of common

stock and $6,500,000 of preferred stock, and $14,000,000 of bonds, mostly at five per cent. The new Company now made a proposal to the packers that Tolleston be left to its sand-dunes and peace, and that the packing-houses continue to ornament Chicago. There was much negotiation, the nature of which was never confided to the public, and in the end the packers were graciously pleased to accept $4,500,000 of the five-per-cent. bonds and to make a contract for fifteen years, by which they agreed to remain in Chicago, and to purchase no cattle within one hundred miles thereof except at the Chicago Stock-Yards. And there you are.

So this is why Tolleston relapsed to its former condition of inert waste. In a day, the magic city disappeared from the dreams of men, lots that had been sold for $500 could not be given away with premiums, and a great many persons learned for the first time valuable lessons in the possibilities of real-estate speculation.

Now, the fifteen years' contract will expire this fall and the great question at the Stock-Yards is what the packers will do then. They have not been idle since Tolleston relapsed into wilderness. Take a map and see what they have been doing. Practically all the cattle that come to Chicago come from the West, Southwest, and Northwest. Beginning at the Southwest the packers have their own stock-yards and packing-plants at Fort Worth, Texas, St. Louis, and St. Joseph, Mo.

On the West they have their own stock-yards and packing-plants at Omaha and Sioux City. On the Northwest they have their own stock-yards and packing-plants at St. Paul, Minn. These packing-plants are all new, large, equipped with the best and latest machinery. Among them they could handle all the business that Chicago handles and never feel the strain.

Hence the issue. In a few months the contract with the Chicago Yards will expire. The packers want the Chicago Yards. If the Vanderbilts again refuse to sell, the packers are fully prepared to transfer the entire packing industry of Chicago to these outlying points, admirably chosen as fortifications across the highways to Chicago, and if they do that they can make the Union Stock-Yards worthless.

Besides Chicago, only the great Kansas City Stock-Yards now remain out of their hands. They have made an offer of purchase to the Kansas City owners. It has been declined, and the packers have bought 1,500 acres of land across the river from Kansas City in an admirable location for stock-yards purposes. Mr. Garfield was kind enough to give, in his report, space to Mr. Armour to enable him to deny my assertion in the first of these papers, presented in *Everybody's Magazine*, that the packers intend to utilize this site for stock-yards of their own in case the Kansas City owners remain obdurate. Mr. Armour says they have no such purpose.

Far be it from me to dispute eminent authority. Possibly what the packers want this land for is to raise pineapples for their mince-meat. But of course if this pleasant intention should ever be abandoned, and if it should seem advisable to the packers to have at Kansas City Stock-Yards instead of botanical gardens, they could not possibly have a finer situation for such a venture. And in that case the obstinate owners of the Kansas City Yards would learn how well it is to sell to a trust when a trust wants to buy, and that is a wholesome lesson, to be sure.

And if events should so fall out, let us say, that the Trust succeeds in gaining control of the Kansas City and also of the Chicago Yards, that will deliver into its hands the stock-yards business of the entire country. What then will be the limit of its powers? And what the limit of its possible profits?

You can see, therefore, where the lists are set and the battle will be fought for the Chicago Yards. It is the Vanderbilt interests against the Beef Trust, with all the advantages against the Vanderbilts. There may, of course, be another dose of Depew on the troubled waters; there may be further issues of handy bonds; there may be other grafting agreements by which the day of transfer will again be postponed. But if any such arrangement is made it will have to be to the increased profit and power of the Trust, because the Trust grips the stock-yards situation by the throat; it

can do as it pleases; it can shut off the cattle supply whenever it will. It has found in its own experiences in running stock-yards how rich are the pickings, how quiet and patient the victims, and it wants more of that good graft. The public can learn of the state of the contest only from results. Some signs seem to indicate to the discerning that the battle is already on. Perhaps if those that know would only tell the real reason why there has been of late so much official interest in Private-Car-line extortions, and exactly why, for instance, Mr. Armour found it impossible this year to get his refrigerator cars moved in the North Carolina berry season, there might be signs enough for the undiscerning also.

Both combatants are handicapped by the fact that they do not like publicity, such as is likely to result from the contest. The packers do not like it for reasons I have had the honor to suggest in these pages, and the Company objects because it is conducting an illegal business. It has on its premises five bars, one hotel, and several stores. Its charter gives it no privilege to conduct any such enterprises. Doubtless, it could and would get its charter amended to cover these branches if it were not for one fact, typical of modern conditions in this country. At every session of the Illinois Legislature there is introduced a bill to investigate or to regulate the feeding charges by which the Company gets so much of its graft, and to keep these meas-

ures from being enacted is about all the Company feels it can undertake at one session of the Legislature. Besides, there is always some prying, miserable legislator around that has no sympathy with high finance, and no one can tell what he might do (or demand) if the matter of the violated charter were ever brought to his attention.

In the meantime, to be sure, what of the public, the consumers at large, that pay the "terminal charges," and feeding charges, and "yardage," and the interest on the packers' $4,500,000 of bonds, and all the rest of the plunder? Nothing about them. Why bother about them? They must like the thumb-screw and relish extortion; if they did not, long ago they would have made extortion impossible and abolished the whole system of business graft for which, with unexampled good nature, they continue steadily to supply the means.

CHAPTER XIV

POSSIBLE CURES FOR A HUGE EVIL

THIS is the situation that the Beef Trust has created. What is the remedy? What are we going to do about it?

There is no remedy unless we are willing to look upon the issue as essentially an issue of morals and not of business. We shall have to come to a state of mind in which we oppose such a combination as this, not because it compels us to lose dollars, but because it is fundamentally and eternally wrong, because it means high treason to the republic and all the republic stands for. Until we are willing to admit that what is involved here is a principle vital to human liberty and progress, and until we are willing to make sacrifices for that principle and to stand for it through any chance of personal loss, we do but waste time to cry out against any trust. Opposition based upon balance-sheets is mere foolery. At any moment a slight change in market conditions sweeps such an opposition from existence. We have seen the fight against the Beef Trust staggered before the temporary increase of $1.50 a hundred pounds in the price of cattle. We

shall continue to see such reverses until we raise the contest to its real level of conviction, and understand that what is at stake is not the price of cattle but the continuation of free government. Until that time we shall see no improvement in these matters. Courts may order competition until they are blue in the face; Congress may pass any kind of legislation it may see fit to amuse itself with; the President may send many eloquent messages; individuals may complain and conventions may resolve; the present conditions will go on unchecked. A thousand statutes will not be worth the paper they are printed upon until the country gets ready to have them enforced and is willing to endure the results of the enforcement, whatever the results may be. It will come to this and nothing else; for the moment we admit that there can exist a power like the Beef Trust, greater than the law, independent of the Government, and inimical to the general welfare, that moment there is no more republic but only an irresponsible and arbitrary oligarchy against which, logically, no citizen can have protection or any certainty of his rights.

The weakness of the Anti-Trust movement so far is that it is economic instead of humanitarian and moral. That is, it is based on the idea that some trust has diminished the profits of some individuals and these individuals are justified in complaining until their profits are restored and then they are equally justified in keeping silence. So long as

we can be fooled into thinking the trusts good if they make our individual business good, so long we shall have these great combinations encroaching upon and overpowering the Government. As a nation we have shown that we are capable of tremendous sacrifices for the republican principle. When we come to regard the issue involved in the existence of the trust as even more important than the issue that was involved in the Civil War, farewell all trusts, Beef included; they will not last long. Even the fact that in the Civil War the danger we fronted was open, palpable, obvious to any eyes, and here it is secret, subtle, working most busily where least suspected, poisoning and infecting in high places, often perverting and swaying the very men that have declaimed most against it, even that will not always obscure the issue. Some day we shall see that the smugly disguised treason that accepts from the public enemy benefits, positions, and campaign subscriptions is far more hateful and far more perilous than the treason that fires upon the flag. And when that time comes the trusts will be only a painful reminiscence.

All these observations are pertinent to the first condition we shall have to secure if we are to make any successful move against the Beef Trust, and that condition is that men shall not do as the agents for corporations the dirty, depraved, and criminal things they would scorn to do for their own private fortunes.

The Beef Trust, like the Oil Trust, was built from illegal and prohibited rebates.

For every rebate granted to the Beef Trust, for every advantage it has enjoyed, for the discrimination in rates and facilities that has made it what it is, some officer of some railroad has been responsible. These officers would not break the law for their own profit; they must not break the law for the profit of the corporations that employ them. If they do, they must be regarded and treated exactly like any other criminals. We must cease to make any distinction between corporation crime and individual crime. We shall have to bring about a state of things in which it will not be possible for a man that has confessed to the granting of illegal rebates to remain in the cabinet of the United States any more than if he had confessed to murder. We shall have to cease to look upon rebate-giving as a pleasant indiscretion and observe it in its true light as a sneaking, despicable, and intolerable crime. We shall have to see that the rebate-giver is a far worse enemy of society than the burglar or the pickpocket. We shall have to readjust our standards of morality so that there shall be no condoning of criminality because the criminal is rich, or is in office, or is liked in political circles. We shall have to look upon a criminal as a criminal no matter where we find him. We shall have to change things so that the Inter-State Commerce Commission shall no longer print in its an-

nual reports those amazing lists of railroad officers indicted and never punished. We shall have to change our methods so that such men, indicted for rebate-giving, shall not be immune from prosecution and shall not be able to invoke for their protection the mysterious influences of Washington, but shall fare exactly like any other common thieves. Unless we are willing to do this it will be quite useless to talk pleasant platitudes about keeping the country's highways open to all upon equal terms. The officers of our great railroads are very charming gentlemen, good fellows, of much personal worth; I cheerfully bear witness to their ability and efficiency. Many of them ought to be in the penitentiary, and until we have them there we shall see no cessation of the practices that build trusts.

Great trusts are formed by illegal rebates. Presently the trust becomes stronger than the law. Then we discover that this trust is levying tribute upon every householder and the Government is powerless to stop the robbery. Whereas, if the law had been enforced in the beginning, there would have been no trust. Ridiculous, is it not? Let us all laugh heartily, it is so absurd. And yet it is perfectly true.

In the next place, we shall have to deal very frankly with the subject of campaign subscriptions and so arrange matters that however noble, salutary, and desirable for the saving of society the

cause at stake may be, gentlemen that give to campaign funds shall be in a position before the law no whit different from persons that give not. For so long as we continue the present system of exchanging immunity for campaign funds we may as well save ourselves the trouble of passing legislation; the trust gentlemen can nullify it, whatever it may be. When we learn of this species of blackmail between the police and a low, wretched dive-keeper we are properly shocked and horrified. We shall have to be just as much shocked and horrified when we hear of it between a great corporation and a political party. For the principle involved in the one case is exactly the principle involved in the other. The only difference is that the blackmail paid by the corporation does about one million times as much harm as the blackmail paid by the dive-keeper.

As to immediate prescriptions against the Beef Trust, the best available medication is through the railroad problem. Deal with that and you deal with the other. The power of the Beef Trust would be destroyed instantly if there were enough independent packers to prevent monopoly in cattle-buying and monopoly in meat-selling. And of such independent packers there would be plenty within six months if only there could be any reasonable certainty of fair treatment in railroad rates and facilities. There is the rub. Twenty firms would begin to-day the building of independent packing-

houses if they could have the assurance of an honest enforcement of the law; which is to say, the assurance of uniform rates and of no villany about detained cars, bedeviled inspection, and the rest of the tricks by which the Trust now maintains itself. Therefore, the mainspring of this matter is the railroad question. Solve that and at once you settle the fate of this monopoly.

But how will you solve the railroad question? Not by passing more laws about it. Is it anything but lunacy to suppose that a power able to override and defy and nullify the existing statutes will be awed by any more of these paper bullets? We have laws enough now. Human ingenuity cannot frame a more explicit prohibition of rebates than the present laws contain, and they are merely a jest. What is the sense of multiplying prohibitions that do not prohibit? Rebates are not merely common; they are of daily and hourly arrangement, and everywhere. In one way or another practically every railroad gives them; almost every great shipper gets them; and as we at present conduct our affairs they can go on giving and getting indefinitely and undetected. To afford but one illustration, every railroad has an account, called the "C. & A." (Claims and Allowances), which is supposed to cover money paid to shippers for goods arriving in a damaged condition. Suppose one-half of the "C. & A." payments to be nothing but rebates, which is usually the fact. Who is to tell? Who is

the wiser for these payments? Who is to say that the goods did not arrive in a damaged condition and that the payment is merely a disguise for illegality? The firm makes the claim; the railroad allows it. Whose business is that? How can the fraud and lawlessness be proved? How can it be detected? Even if some clerk or other employee were to reveal the fact, the railroad and firm together, under our present methods, could laugh him out of court. There is the record of the payment, and so long as the public does not care, that settles the issue.

Or suppose the rebate is concealed under the head of " legal expenses " or the head of " terminal railroad charge." Who is to tear the cover from those prolific hotbeds of evil things?

Or, again, take the Private-Car swindle. That was in the beginning and remains now nothing but a device to disguise rebates. The benevolent Elkins Act took all these lines from the category of common carriers. Then if they are not common carriers the law has no control over them. And if a railroad, using some alluring name for a disguise, organizes a Private-Car line and through that car line gives rebates to shippers, what are you going to do about it—under our present system? You cannot prohibit men from investing in what legitimate enterprise they will, and if they invest in a Private-Car line you cannot under the Elkins Act prevent them from granting rebates, and if they

grant rebates inevitably you will have such a combination as the Beef Trust levying its daily tribute upon you.

Moreover, how can you prevent a thing that many thousands of reputable business men are constantly striving to obtain for themselves and about which the community has hazy or indifferent views? Laws are enforced by the pressure of public opinion behind them. There is little pressure of public opinion behind the enforcement of the law against rebates. The part of the public that suffers from the results of rebates does not know why it suffers, and the part that does know does not care, because it hopes to get rebates for itself; hopes to get them and tries in all possible ways to get them. It is a painful fact that of the men that complain most often and most loudly against these conditions few would see anything wrong in rebates if they could secure for themselves the advantages that they decry in others. I know this statement will cause a protest, but it is literally true, nevertheless. I have seen too many instances of it. The fact is that in this country we have become so used to the idea of doing business unfairly, to the idea of graft and trickery, that habitually we obscure the principle of morals involved. All we care about is the effect upon our individual businesses. Take even such a gross and high-handed swindle as the Beef Trust's control of the cattle-market. I have known men that complained to high heaven against that mon-

strous injustice and cited the Declaration of Independence and the Constitution, and made earnest and eloquent pleas on the basis of inalienable right, and in a day they have been converted from Trust assailants to Trust defenders by the magic spell of a secret arrangement about rates or an assurance of high prices. And what to the thoughtful mind is still more significant, no shame has attached to the bribery when it became known. The unbribed seemed to regret their own ill fortune, but they had no condemnation for the man that had sold out. He had merely done what other men would do if they had the chance.

I am reminded here of an incident from the records that illustrates the absolute futility of trying to deal with this matter on any basis but that of principle. For many years there was bitter complaint from merchants in South Dakota of the wholesale robberies practised upon them by the railroad companies. They had good reason; I suppose few states have been more systematically "skinned." It was long the purpose of the two railroad companies that divided the loot of South Dakota to squeeze all they could out of that unlucky state, and one of the convenient ways was by a rate discrimination, the effect of which was to put the wholesale houses of South Dakota at a serious disadvantage. The matter became something of a political issue, and in 1896 the Populists carrying the state Board of Railroad Commis-

sioners came into office pledged to secure rate reforms.

Among the complainants one of the most aggrieved was the Jobbers' Association of Sioux Falls, of which one prominent member in particular, by every means in his power, urged the Commission to take rigorous action. The Commission happened, for a wonder, to be composed of men that the railroads could not reach. It gave hearings to the merchants, found their complaints to be just, and acting under a law passed by a Populist Legislature, ordered the railroad companies to reduce rates. The railroad companies thereupon had recourse to the handy injunction and, as usual, blocked the wheels of beneficent action. The Commission manfully fought the cause in the courts; it is one of the historic cases in the railroad war; every inch of ground was stubbornly contested. But when the case came on for trial before the United States Court the Commission suddenly found that it had no support from the Sioux Falls Jobbers' Association. The eloquent member had given over his labors, the Sioux Falls witnesses upon whom the Commission had relied for its case had gone to Mexico, or California, or Europe, or were sick; not one of them appeared.

At first the reason was not apparent. Subsequently it was learned that the railroad companies had suppressed all this testimony by a master-stroke of chicanery. How? They had granted Sioux

Falls jobbers a "terminal rate." This gave them an unfair advantage over the jobbers elsewhere in the state, and thereafter they had not a word of complaint to make against the railroad companies and were quite willing to desert the Commission, although it was engaged in fighting their battles.

Not long afterward the prominent member of the Jobbers' Association met two South Dakota friends in the streets of Chicago. And he pulled from his pocket a large roll of money. And he said that he had just been to the office of one of the railroads and collected his firm's rebates. And the bills he showed were the rebates. And he told how the money had been paid to him: how he had gone to the treasurer of the railroad and the treasurer had taken him into a dark room and had lighted the gas and shut the door. And when they were alone, these two, the treasurer had handed him his rebates in bills.

It was an excellent citizen that told the story, one of the most respected in South Dakota. He would have been shocked if anybody had told him that his was not only an illegal and a dishonorable act, but one that attacked and imperilled the institutions of his country. But that would have been the truth.

But as Captain Nares says, the cream of this story is to come. The "terminal rate," for the sake of which Sioux Falls gave up its share of the fight, was accompanied by certain rebates. These were

maintained some months. A new Railroad Commission was elected. It proceeded to drop the fight for lower rates on the ground that it had made an advantageous compromise with the railroad companies—to wit, a reduction of passenger rates from four to three cents a mile and an extensive reduction in the freight tariff. The extensive reduction in the freight tariff proved, in practice, to be no reduction at all, but merely some of that expert legerdemain by which the able corporation lawyer makes a community think it is getting one thing when it is really getting something else. On the plea of this compromise the rebates were withdrawn from Sioux Falls, and the jobbers, therefore, were left largely in the state of one that has sold for a mess of pottage and hasn't got the pottage. For, of course, the railroad companies had no other object in view but to head off unpleasant testimony, and when that was achieved the jobbers could shift for themselves.

Is Sioux Falls different from any other community? Not in the least. The railroads can silence any complaining city by giving it a few cents of advantage over its rivals, just as the Beef Trust can silence any complaining cattleman by "taking care of" his cattle. The city would think it absurd to go on fighting after it had won the prize of an unfair and illegitimate advantage; the cattleman would think it absurd to go on complaining after the pins had been so set up that he was certain to

make much money at other persons' expense. And so long as this is the controlling view, to object to the extortions of trusts, the piracies of terminal railroads, and the highway robberies of Private-Car lines is very idle. All of these merry thieves will continue to thieve as before.

"There must be no more rebates!" cries the excited reformer, well aware that the rebate is the root of all Trust evil. Well said, good reformer. But how will you stop rebates? One proposes to enlarge the powers of the Inter-State Commerce Commission, and one proposes to establish rates regulating courts, and one proposes a special session of Congress, and one proposes this law or the other. Beautiful pastimes of the political mind! When we get sick and tired of rebates we can abolish them, but not so long as any considerable number of us are trying to get them for ourselves.

For the only cure that will cure, then, we come back to the basic feeling of the country. When that recognizes the Trust question as paramount to all others, when it places the suppressing of the Trusts above all other consideration, above personal aggrandizement and above party, and when it will not tolerate in office any man that for any reason whatever makes terms with law-breakers, the whole thing is solved. Some day, for the fear of public feeling, no politician will dare to bargain immunity for campaign subscriptions, no newspapers will dare to distort facts for the sake of Trust adver-

tising, no railroad officer will dare to grant rebates and face the community in which he lives, no prosecuting attorney will let the statutes lie inert and unenforced. Because in that day we shall see very clearly the issue we confront:

The life of the Trusts or the life of the republic—which?

POSTSCRIPT

THE UNION OF ROTTEN BUSINESS WITH ROTTEN POLITICS

IN the foregoing chapters I have labored to show that the existence of a power like this, independent of and superior to law, immune against punishment and preying upon the public, amounts to a denial of the republican form of government. So far as this fact is concerned, how the power was obtained and how it is exercised can make no difference. The results are precisely the same, and so is the significance of the results, whether they are secured by open violence or by the subtle corruption of campaign subscriptions and of political influence. The only difference is that if the Beef Trust operated by open violence instead of by covert "pull," the outraged nation would know what to do. Indeed, armed men controlling the courts by overawing them would be a preferable situation, for it would last no longer than the time required for the people to rise and find weapons. But secret agents thwarting justice and nullifying the laws by the almost undiscoverable methods of partisan politics, exercised through

the most respectable men—how shall we deal with a condition like that?

Yet it is plainly just as bad to have public officers compelled by party loyalty or political obligations to the support and defence of a criminal organization like the Beef Trust as it would be to have them coerced by physical fear—at least as bad. In either case the outcome of the coercion is the same. We are slow to accept the view that these conditions are mediæval and that the official apologists for the Trusts are exactly like the baronial henchmen and mercenaries of the feudal system; yet on impartial examination the parallel is sufficiently startling. The predatory purpose and the lawless conditions are duplicated; security and immunity are similarly maintained; and the perversion of justice and government shows but this difference, that along the Rhine it was obtained by the fear of mailed men and with us by the fear of withdrawn campaign subscriptions.

Since the beginning of these papers, published originally in *Everybody's Magazine,* there have been two conspicuous illustrations of the strange secret power of the Beef Trust to influence, through respectable channels, the regular organs of public opinion and the operations of Government. The first was the report of Commissioner Garfield, fully discussed in the June number of above-named magazine. The second involves a story, which, if I may be pardoned for the per-

sonal element necessarily involved, I should like to relate here.

In Chapters VI and VII I related the appalling losses wrought by the Beef Trust upon the cattle-raisers and cattle-feeders of Western states, instancing in particular Iowa, Nebraska, South Dakota, and Montana. I explained in detail how this disaster was brought about by abnormal and continued manipulations of the cattle-market, and why, in these regions, the condition of the country banks was an unfailing index of the extent of that manipulation. I then gave a list of about forty country banks in Iowa that had failed in two years of Beef Trust domination, and pointed out that while some of these had been ruined by private speculation and by other causes, the total number of failures, larger than in a period of panic, showed conclusively the wide-spread evil wrought to producer as well as to consumer by the abnormality of a controlled market.

The number of the magazine * in which the chapters appeared was on sale in Iowa on April 20th. For thirty days the chapter of the story that dealt with Iowa and the Iowa banks was read in every part of the State and the only comment aroused anywhere was of entire approval. The main facts asserted therein were incontrovertible, being based on official reports; they had, in fact, been printed, with much the same conclusions, in,

* *Everybody's* for May, 1905.

I suppose, 150 or 200 newspapers, and nobody had objected to them. But on May 20th came out the chapters that dealt with Mr. Garfield's report, and almost at once a very curious transformation went along a certain line of Western newspapers and politicians. It was now discovered, thirty days after date, that my publishing of the list of failed banks was " a slander on the people of Iowa "; that if the banks did fail it was not right to say anything about them; that anyway they did not fail because of the Beef Trust, but for other reasons, and the suggestion was adroitly advanced that the person that published the list could not be worthy of any confidence, and therefore what he said about the Garfield report had better be rejected.

Now, to one attentively observing the course of these comments they presented some very interesting phases. Obviously enough, they were made on a signal from some source. Without exception they were made by newspapers and men that bore certain intimate relations to the Republican machine. In some cases they appeared in the very newspapers that had printed and supported the list and furnished the information on which it was based. To one that knew the inside workings of the Republican organization the whole performance was infinitely diverting. One could hear the very pulleys creak and see the puppets dallying and watch the strings that led from this and that to the Central Trust Company in Chicago and the

Packers' Department of Political Activity and Campaign Subscriptions.

Nothing was so important to the Beef Trust as to have the Garfield report sustained. It was relied upon to allay public clamor and avert hostile action; it had not been easy to obtain in its final shape, and when we remember that the president of the Packers' Trust Company is also Western manager and Western treasurer of the Republican party, the rest of the affair should seem reasonably plain.

As to the substance of these machine-made attacks on the bank list and its author, they hardly seem worth bothering about. The facts I published about the failures were carefully investigated and verified and are not open to question, and for the conclusion that most of the failures were caused by the Beef Trust's manipulation of the cattle-market I have indubitable authority. The charge that to make known the facts about the failures was to slander the people of Iowa was merely infantile. I am myself an Iowan, and whatever other errors I may commit, I shall at least strive to avoid slandering my own people.

Simultaneously with these cheerful tactics, the Trust sent out representatives to go quickly from town to town in the West placing advertisements in the local newspapers. "Swift's Pride Soap" and "Armour's Star Ham" have never been one-tenth so widely advertised. You could trace the progress

the world."

Are the Packers Receiving Fair Play?

When the Garfield report on the business methods of the packers appeared, after eight months' investigation, it was severely criticised and roundly denounced. After three months of publicity it is significant that those who attempted to discredit it have failed to controvert the figures contained in that exhaustive document. The public is beginning to notice this omission, and the feeling is rapidly growing that the sensational charges out of which the "Beef Investigation" arose were without foundation. If the official statements of the report are susceptible of contradiction, a good many people are now asking why the facts and figures are not furnished to contradict them.

The truth seems to be that most of the charges contain unfounded sensational assertions. A flagrant example of this appeared in a recent article in an Eastern magazine, to the effect that "forty Iowa banks were forced to close their doors in 1903–4 by the Beef Trust's manipulation of cattle prices." Chief Clerk Cox, of the banking department of the Iowa State Auditor's office, has tabulated the list of banks given in the magazine article and has publicly denounced the statement as utterly untrue. He gives separately the reasons for each failure mentioned and officially states that they have been caused by unwise speculations and by reckless banking methods. It may be well to suspend judgment upon the packers until the charges against them are proved. Adv.

FACSIMILE REPRODUCTION OF "EDITORIAL" PUBLISHED IN THE *AUDUBON* (IOWA) *ADVOCATE* AND OTHER WESTERN NEWSPAPERS. THE LETTERS "*ADV.*" AT THE END SHOW THAT THE "EDITORIAL" WAS PAID FOR, AND REPRESENTS ONE EFFORT OF THE BEEF TRUST AGENTS TO COMBAT MR. RUSSELL'S ARTICLES IN "*EVERYBODY'S MAGAZINE.*"

of the Trust agents through the cattle country by the appearance of such advertisements where they had never appeared before. The real purpose of this novel tour was made clear in cases where the advertisement was accompanied or followed by an editorial upholding the Garfield report and denouncing *Everybody's Magazine.* The fact that these editorials were of identical wording and that sometimes they appeared with "adv." at the end of them is all I need say of them to the intelligent mind. It is a gratifying comment on the integrity of our press that the number of newspapers that were bribed in this way was comparatively small, but the number upon which the bribing was in one way or another attempted must have been very large.

But the main reliance of the Trust was upon an article upholding and defending the Garfield report and written ostensibly for the Des Moines *Register and Leader* by Mr. George E. Roberts. Who is George E. Roberts? Professional politician of Iowa, handy man for the machine, and Director of the United States Mint. What are his claims to expert knowledge of the cattle industry or the business of the packers? Nothing. What, then, brings him into the field of this controversy? To know that, you must go back again to the strings and wires. Mr. Roberts's article filled four or five columns in the *Register and Leader.* If you will believe me, it consisted of nothing but

reiterations of the main statement of the Garfield report, apparently made with the idea that if those astonishing assertions were only enough times repeated, people might begin to believe them. Thus, Mr. Garfield having caused everybody familiar with the subject to shriek with laughter by asserting that the packers' profits are merely trifling, Mr. Roberts, good, faithful man, proceeds, with the utmost solemnity and without a particle of proof, to parrot that statement. It is time to have done, once and for all, with this nonsense. I suppose the human mind was never occupied with a feebler conceit. If the packers' profits were small and their business unproductive, would they now be defending those profits and that business with the most elaborate, intricate, and costly system of espionage and influence ever known in commerce? If their profits were small, could they make those monstrous investments in stock-yards and packing-plants that have given them the sole command of every cattle-market in America? If their profits were small, would they continue to extend and amplify their business? If their profits have been small, whence has come the money with which they have bought railroads, trolley lines, electric light and gas plants, banks, trust companies, newspapers, elevators, factories, grain companies, Private-Car lines, leather trusts, department stores, until they have become the most diversified and among the largest capitalists in the world? On the basis of the alleged

figures of profit given by Mr. Garfield it can be demonstrated in black and white that in the first six months of 1905 the packers spent in exporting witnesses, publishing extraordinary advertisements, hiring extraordinary attorneys, getting control of cattlemen's associations, hiring detectives, and using influence, three times as much money as they could make in the entire year—if Mr. Garfield is correct. Is it necessary to be idiotic to prove our loyalty to our party? No outsider knows or can know the real profits of the real Trust. The talk of having seen any "books" that show these profits is mere fantastic dreaming, for the simple reason that to exhibit such books would convict of criminal offences all the members of the Trust and forty or fifty of the foremost railroad officers of the United States. That being the case, we might as well drop this phase of the inquiry.

The real origin and impulse of Mr. Roberts's contribution to literature may be judged from the fact that the Trust immediately reprinted it in hundreds of thousands of copies and scattered it broadcast, a fact not at all astonishing to those that recognized in it the long familiar earmarks of the industrious Swift literary bureau, famous in song and story. An incidental humor of the affair is that some weeks after the Trust had favored the mails with Mr. Roberts's effusion, a copy of it fell into the possession of that sour old organ of Bourbon reaction and feudalism, the New York

Evening Post, which proceeded, with senile self-applause, to print the document, unaware that everything it contained might have been had months before in the report of Commissioner Garfield, which it was therefore convicted of defending without reading.

All these things, to be sure, make merely for the refreshing of all men capable of seeing one inch beyond their noses. The Trust would not go to all this expense and pull all these wires and make all these marionettes dance if it were not rattled and alarmed, and that it is alarmed is a sign of great hope and joy. We have still in this country a public opinion capable of terrifying the biggest thieves, and so long as that exists, the eventual triumph of the good cause is secure. Nobody believed the advertisements of the Trust. Nobody believed that the people of Iowa had been slandered. Nobody, not even the editor of the *Evening Post,* lost in mediæval dreams and outworn ideas, really believed Mr. Roberts. Nothing came of all the Trust flounderings and manœuvrings, except a clear revelation to the country that the foundation-stone of the huge evil of Trust domination is the union of rotten business with rotten politics. And the lesson is timely and wholesome.

But one other aspect of these affairs is of even graver significance to every citizen. Here is a great criminal organization, utterly illegal in its inception, utterly illegal in its operation, de-

fying the courts, an active and pestilent public enemy. The works of this organization are to increase to every household the cost of living, to decrease to a very large number of producers the normal income from their toil. And here are two officers of the Government, two servants of the people, going out of their way to defend this great criminal and to divert from it the public indignation it has justly aroused. What business is it of the Commissioner of Corporations to tell the people of the United States not to complain because their meat bills increase, and the cattle-raisers not to complain because cattle prices decline? What business is it of the Director of the United States Mint to champion any illegal and predatory Trust? What part of the duties of these public officers is it to defend lawbreakers? What right have they thus to serve the cause of public plunderers? And what shall we do to eliminate from American public life, now and for all time, an influence powerful enough thus to undermine and destroy the essentials of free government?

THE END

American Farmers
and
The Rise of Agribusiness

Seeds of Struggle

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